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COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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Authority of the Township of Robinson v. : Docket No.
Pennsylvania-American Water Company. : C-20030092
For the Commission to enter an order :
prohibiting Pennsylvania-American Water :
Company from commencing service to Western :
Allegheny County Municipal Authority :
pursuant to the Pennsylvania-American :
Water Company Agreement, or constructing :
any facilities with respect to such :
service. :
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DOCKETED

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Initial hearing. :
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Pages 1 through 136

State Office Building
Hearing Room 1
300 Liberty Avenue
Pittsburgh, Pennsylvania 15222

Wednesday, January 21, 2004

Met, pursuant to notice, at 9:00 a.m.

BEFORE:

FRED R. NENE, Administrative Law Judge
(Substituting for LARRY GESOFF,
Administrative Law Judge)

APPEARANCES:

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P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE FRED R. NENE: This is the time scheduled for the hearing on a petition and a complaint for a declaratory order filed by the Municipal Authority of the Township of Robinson against the Pennsylvania-American Water Company.

We have an intervenor, the Western Allegheny County Municipal Authority, and also, is it correct, the Pennsylvania Municipal Authorities Association, two intervenors?

MR. ZANGRILLI: Your Honor, if I may, on the Pennsylvania Municipal Authorities Association, their intervenor status is granted only for the purpose of filing a brief. They will not participate in the hearing.

JUDGE NENE: Okay. This case was assigned to Judge Gesoff, but certain other reasons, Judge Gesoff is not able to be here today. My name is Fred Nene and I am going to develop a record and perhaps write the initial decision in this matter.

I would like to go around the table, starting with you, Mr. Zangrilli, and just state your name and who you are representing in this matter.

MR. ZANGRILLI: My name is Albert J. Zangrilli, Jr., and I represent the Complainant, Municipal Authority of the Township of Robinson.

1 MR. O'HARE: Kevin O'Hare, likewise I represent
2 the MATR.

3 MR. PILLAR: I'm John A. Pillar and I'm also here
4 representing the Municipal Authority of the Township of
5 Robinson, Your Honor.

6 MR. VUONO: John Vuono of Vuono and Gray,
7 representing the Western Allegheny County Municipal
8 Authority.

9 MS. INDRISANO: Susan Indrisano also representing
10 the intervenor.

11 MR. GADSDEN: I am Tom Gadsden of the Morgan, Lewis
12 and Bockius representing Pennsylvania-American Water
13 Company, the respondent.

14 JUDGE NENE: As far as the schedule of the
15 proceedings today, we have pre-filed testimony and we are
16 going to present those witnesses and submit them for cross
17 examination. Is that correct?

18 MR. ZANGRILLI: Yes. I have two or three
19 preliminary issues.

20 JUDGE NENE: You have some matters you want to
21 discuss and that's fine.

22 MR. GADSDEN: I have one...

23 MR. ZANGRILLI: This is actually in my case.
24 Before I get to my witnesses, I want to put in some
25 exhibits. It's not really preliminary in that sense.

1 JUDGE NENE: Okay, you have something?

2 MR. ZANGRILLI: Mr. Gadsden, why don't you go
3 ahead.

4 MR. GADSDEN: Your Honor, before we went on the
5 record, Mr. Zangrilli indicated that he would have cross
6 examination for three witnesses, and I am assuming that two
7 of those are the WACMA witnesses and one of them may be our
8 witness. If he doesn't not intend to cross examine two of
9 our witnesses, at least in the case of Mr. Seidl, if it's
10 possible to agree to enter his testimony by stipulation,
11 then he doesn't have to sit here all day.

12 He's a very busy guy. He is basically the vice
13 president of engineering and I'm sure would be happy to get
14 back to work.

15 JUDGE NENE: Mr. Zangrilli?

16 MR. ZANGRILLI: Your Honor, that is the one witness
17 that I may be able to agree on.

18 MR. GADSDEN: It's no problem if he does, but...

19 JUDGE NENE: Are you asking that if he does, we
20 could proceed with him first?

21 MR. GADSDEN: No, not necessarily. If Mr.
22 Zangrilli has some cross for Mr. Seidl, then we will just
23 take him in the normal course. If he doesn't, then I don't
24 want Mr. Seidl to have to sit around for six hours to be
25 told that there are no questions if we can avoid that.

1 MR. ZANGRILLI: My cross examination would be so
2 limited that I would certainly be prepared to cooperate if
3 he could -- if we could call him out of turn this morning.

4 MR. GADSDEN: We will call him as our first
5 witness. We'll see how things go. If you have some
6 questions for him, that's fine.

7 MR. ZANGRILLI: Extremely limited.

8 MR. GADSDEN: That's okay.

9 MR. ZANGRILLI: Four minutes, five minutes.

10 MR. GADSDEN: That's fine. He's here and we are
11 ready to go.

12 JUDGE NENE: Okay. Any your other issue?

13 MR. ZANGRILLI: No, and I am ready to start.

14 JUDGE NENE: All right. Who will you be calling?

15 MR. ZANGRILLI: Your Honor, MATR would like the
16 record to reflect a number of paragraphs in the complaint
17 that are admitted in the answer. The would be admissions
18 pursuant to Rule 5.04, and I am not going to belabor by
19 reading them, but I would offer the followings as admitted
20 from our complaint: paragraphs 1, 2, 3, 6, 9, 11, first
21 sentence only, 13, 14 through 17 as stated in PAWC's
22 answer, 18 and 19, 21 and 22, 23 and 25, 33 first sentence
23 only, 45 and 49, first sentence only.

24 JUDGE NENE: Counsel?

25 MR. GADSDEN: This had not been discussed before

1 today's hearing, and rather than take up a lot of time
2 going through each of the designated paragraphs, why don't
3 we simply agree that we will make the complaint and the
4 answer, both in their entirety, part of the record?

5 MR. ZANGRILLI: For what they say.

6 MR. GADSDEN: Yes.

7 JUDGE NENE: So be it.

8 MR. ZANGRILLI: Your Honor, I want to offer into
9 evidence and move the admission of the water supply reports
10 filed by intervenor Western Allegheny County Municipal
11 Authority for calendar years 1998 through and including
12 2002. These are submitted under a certification from Kathy
13 Meyers, Deputy Secretary of the Department of Environmental
14 Protection under seal, and it's our position that they
15 would be admissible. I would move the admission of MATR
16 Hearing Exhibit 3.

17 JUDGE NENE: I assume that the numbers are agreed
18 to. Does anyone have any objection to MATR Exhibit 3, and
19 does everybody have a copy?

20 (Whereupon, the document was marked
21 as MATR Hearing Exhibit No. 3 for
22 identification.)

23 MR. ZANGRILLI: Your Honor, I want to correct the
24 record. Apparently I said that these were for the calendar
25 years 1998 to 2002. Actually it is 1988 to 2002.

1 MR. VUONO: Are these identical to the reports that
2 were produced by WACMA pursuant to your discovery requests?

3 MR. ZANGRILLI: Yes, they are.

4 MR. VUONO: I have no objection, Your Honor.

5 MR. GADSDEN: No objection.

6 JUDGE NENE: They will be made part of the record
7 as described.

8 (Whereupon, the document marked as
9 MATR Exhibit Hearing No. 3 was
10 received in evidence.)

11 MR. ZANGRILLI: Your Honor, I want to offer into
12 evidence and move the admission of one-page document
13 captioned Sources of WACMA Water from 1988 through 2002.
14 This exhibit is prepared by counsel, by me, and it sets
15 for certain data in a schematic and summary fashion that is
16 set forth in the water supply reports.

17 All the data here in terms of the volume of water
18 purchased comes from the water supply report. The
19 calculation, the percentage is a calculation done by
20 counsel. I am offering this as a summary and as an aide to
21 making the evidence intelligible. I move it's admission.

22 JUDGE NENE: Any objection to MATR Exhibit 4.

23 (Whereupon, the document was marked
24 as MATR Hearing Exhibit No. 4 for
25 identification.)

1 MR. VUONG: No objection subject with the
2 understanding that whatever those reports say, they say and
3 we are not bound by what may be on this proposed Exhibit 4.

4 JUDGE NENE: As described...

5 MR. VUONG: Nor are we bound by the calculation of
6 counsel because I don't know how good a mathematician he
7 his.

8 JUDGE NENE: But, perhaps it will be helpful.

9 MR. VUONG: Finally, the existing contract began in
10 1983, did it not?

11 MR. ZANGRILLI: Correct.

12 MR. VUONG: You have not included the years through
13 1983 through 1987.

14 MR. ZANGRILLI: Correct.

15 MR. VUONG: With that, I have no objection.

16 JUDGE NENE: Anybody else have an objection?

17 MR. GADSDEN: No objection.

18 JUDGE NENE: Subject to those remarks, it will be
19 made of the record, too, as identified.

20 (Whereupon, the document marked as
21 MATR Hearing Exhibit No. 4 was
22 received in evidence.)

23 MR. ZANGRILLI: MATR calls Anthony Lenze.

24 JUDGE NENE: Mr. Lenze, please raise your right
25 hand.

1 Whereupon,

2 ANTHONY T. LENZE

3 having been duly sworn, testified as follows:

4 MR. ZANGRILLI: Your Honor, I am going to give the
5 Court a copy of MATR Hearing Exhibit 1.

6 (Whereupon, the document was marked
7 as MATR Hearing Exhibit No. 1 for
8 identification.)

9 DIRECT EXAMINATION

10 BY MR. ZANGRILLI:

11 Q Mr. Lenze, I am going to show you what has been
12 marked as MATR Exhibit 1.

13 MR. ZANGRILLI: Your Honor, is it okay for me to...

14 JUDGE NENE: Yes, you can approach.

15 BY MR. ZANGRILLI:

16 Q Mr. Lenze, does MATR Hearing Exhibit 1
17 constitute a statement of your direct testimony in this
18 matter?

19 A Yes, it does.

20 Q Are there any additions, corrections or
21 revisions to be made to the statement at this time?

22 A No, there are not.

23 Q With respect to the exhibits that are attached,
24 are these the exhibits that you discussed in that direct
25 testimony?

1 A Yes, they are.

2 Q Are those exhibits true and correct to the best
3 of your knowledge, information and belief?

4 A Yes, they are.

5 MR. ZANGRILLI: Your Honor, at this time I would
6 like move for leave to ask the witness one simple question
7 that, quite frankly, I failed to ask him back in October
8 when I took the statement. I will tell you what the
9 question is and...

10 JUDGE NENE: I don't think there's reason to do
11 that. You can ask your question.

12 MR. ZANGRILLI: Very simple.

13 BY MR. ZANGRILLI:

14 Q The question, Mr. Lenze, is this, what is MATR's
15 current annual average daily production of water?

16 A Based upon the record made of -- the water
17 production record of calendar year 2003, it's approximately
18 4.3 million gallons per day.

19 MR. ZANGRILLI: Your Honor, that conclude my direct
20 examination.

21 JUDGE NENE: And you moved the...

22 MR. ZANGRILLI: I'm sorry, I did not, but I will
23 move Exhibit 1 into evidence.

24 JUDGE NENE: Exhibit 1 had nine exhibits attached?
25 I want to make sure this is clear.

1 MR. ZANGRILLI: Yes.

2 MR. VUONO: Your Honor, there are attached to that
3 statement, among other things, copies of certain
4 correspondence. Nobody in this case has requested the
5 production of originals, and I am assuming that if I don't
6 object to this, that rule will apply throughout.

7 MR. ZANGRILLI: Yes, the copies acceptable
8 substitute for originals.

9 MR. VUONO: I have no objection.

10 JUDGE NENE: Without objections being made, the
11 exhibit described as MATR Exhibit 1 with attachments will
12 be made part of the record, and the witness is now
13 available for cross examination. We will proceed with
14 your, Mr. Vuono.

15 (Whereupon, the document marked as
16 MATR Hearing Exhibit No. 1 was
17 received in evidence.)

18 MR. VUONO: Your Honor, I am an intervenor. I
19 should...

20 JUDGE NENE: Okay, we will start at this end with
21 Mr. Gadsden.

22 MR. GADSDEN: Thank you, Your Honor.

23 CROSS EXAMINATION

24 BY MR. GADSDEN:

25 Q I apologize, Mr. Lenze, for having my back to

1 you, but we are somewhat limited in terms of what we can do
2 here. Earlier this morning the complaint filed by Robinson
3 Township which initiated this proceeding was made part of
4 the record. I have just a couple questions with respect to
5 that complaint.

6 Starting on page 5 of the complaint, Mr. Lenze,
7 Robinson stated, and I will quote it, "WACMA...

8 MR. GADSDEN: Your Honor, I think we will all be
9 using the acronym WACMA throughout today, which of course
10 stands for Western Allegheny County Municipal Authority.

11 JUDGE NENE: I think that would be appropriate.

12 BY MR. GADSDEN:

13 Q The complaint stated, "WACMA's water
14 distribution system consists of two completely separate
15 systems, which systems serve different geographic areas and
16 are not connected in any manner." Do you recall that
17 statement?

18 A Yes, I do.

19 Q In response to discovery, specifically our
20 Interrogatory Set 1 Number 14, you acknowledged that that
21 statement was in error, as I recall, and indicated that it
22 was not, until you had an opportunity to conduct further
23 discovery in this case, specifically the deposition of Mr.
24 Nichols who will appear later, that you learned that, in
25 fact, the two WACMA systems had been interconnected; is

1 that correct?

2 A That's correct.

3 Q Are you aware -- let's back up. When did you,
4 and I guess I could get this from your testimony, but maybe
5 we will get the answer faster this way, when did you first
6 start working for Robinson Township?

7 A November of 2000.

8 Q Would you accept, subject to check, and I can
9 provide you with the document which you in turn provided us
10 in discovery to confirm this, would you accept subject to
11 check that the Robinson Authority was made aware of the
12 interconnection with the two WACMA systems as early as the
13 year 2000, that this was know by the Robinson Authority
14 long before this proceeding started?

15 A Again, your question is, is that...

16 Q Would you accept that representation subject to
17 check?

18 A Subject to check...

19 Q I can give you a reference if you would like to
20 check it, or you can take a look at it now?

21 A I would like to see the letter that the
22 Authority received.

23 MR. GADSDEN: Your Honor, if I may, I would like to
24 show Mr. Lenze a document which is a letter dated February
25 28th, 2000 from Mr. Robert Owens, Manager of the Western

1 Allegheny County Municipal Authority, to Mr. Richard
2 Constantino, Executive Director of the Municipal Authority
3 of the Township of Robinson, which letter, in turn, was
4 provided to us in response to our Interrogatory Set 2,
5 number 4. I would specifically direct Mr. Lenze's
6 attention to a paragraph that begins at the top of page 2
7 of that letter.

8 (Witness perusing document.)

9 BY MR. GADSDEN:

10 Q I guess my question, Mr. Lenze, and please take
11 as much time as you like to review the letter, but can we
12 agree that in that February 28th, 2000 letter, Mr. Owens
13 indicates to Mr. Constantino that the WACMA systems were,
14 in fact, interconnected in 1999?

15 A Yes.

16 Q Going back to the complaint again, Mr. Lenze, on
17 page 6 in paragraph 43, Robinson stated, "The contract rate
18 is less than the minimum rate allowed by Rider DRS." By
19 the contract rate, I understand that to me the rate
20 negotiated between Pennsylvania-American Water Company and
21 WACMA. Is that your understanding?

22 MR. ZANGRILLI: Your Honor, if I may?

23 JUDGE NENE: You have an objection?

24 MR. ZANGRILLI: Not an objection, no. At the time
25 of the complaint, Municipal Authority of the MATR was

1 prepared to put that matter at issue. We do not at this
2 point in time regard that as a matter being at issue. We
3 are not prepared to contest or to attempt to assert that
4 the contract rate is less than the minimum rate allowed by
5 Rider DRS.

6 JUDGE NENE: Mr. Gadsden, does that help?

7 MR. GADSDEN: It certainly does. It takes one
8 significant issue off the table.

9 JUDGE NENE: Very good.

10 MR. GADSDEN: Thank you, Mr. Zangrilli.

11 BY MR. GADSDEN:

12 Q Mr. Lenze, as a general matter, can we agree
13 that Robinson Township Water Authority has experienced
14 significant growth in the last ten years?

15 A As a general statement, I think that's factually
16 correct.

17 Q Would you accept subject to check, and here the
18 reference would be to your response to Interrogatory Set 2,
19 Number 6, that ten years ago in 1993, Robinson had
20 approximately 3,000 residential customers and 472
21 commercial customers?

22 A Three thousand and how many commercial
23 customers?

24 Q Four hundred and seventy-two?

25 A Yes, that seems like a reasonable estimate.

1 Q Okay, and those figures, I believe as you
2 indicated in your direct testimony, Hearing Exhibit Number
3 1, have grown now to 3,900 residential customers and 600
4 commercial customers; is that correct?

5 A That sounds correct.

6 Q You previously indicated in response to a
7 question posed by Mr. Zangrilli that your current average
8 daily send-out is approximately 4.3 million gallons a day?

9 A That's correct.

10 Q Would you accept subject to check that if we
11 went back to 1993 again, that figure would be approximately
12 2.6 million gallons a day?

13 A Subject to check, yes.

14 Q Again, the place to check would be your response
15 to Interrogatory Set 2, Number 6.

16 Mr. Lenze, if we could take a look at one of the
17 exhibits that is attached to your direct testimony,
18 specifically Lenze Exhibit 5; tell me when you get there.

19 A I have it.

20 Q Exhibit 5 consist of an August 16, 2002 letter
21 from you to Mr. Morris, Chairman of WACMA, and attached to
22 that is a document styled Computation of Bulk Water Rates
23 to WACMA. Do you see that?

24 A Yes, I do.

25 Q If we go to the bottom of the second page under

1 the column, cost per 1000 gallons of WACMA, we see a figure
2 of what I understand to be approximately \$2.11 per thousand
3 gallons. Is that correct?

4 A That's correct.

5 Q Is that the rate that you offered WACMA in your
6 contract negotiations?

7 A No. This was an example of -- this was a
8 computation that was prepared based upon a fiscal year
9 ending June 30th, 2002 of the methodology that was
10 requested by WACMA to be put specifically into an agreement
11 that only certain cost centers would be used in calculating
12 the rate.

13 The exhibit that is attached to the letter is merely
14 to show how that rate would be calculated using those
15 various cost centers for that given fiscal year. I could
16 say that simply when the agreement would have been struck,
17 there would have been another exhibit prepared, and this
18 number could have fluctuated either up or down by cents.

19 Q Was a specific number offered in connection with
20 the contract renewal negotiations, or was it anticipated
21 that that number would be developed on an annual basis
22 consistent with the methodology that you show hear?

23 A Yes, it was going to be an annual computation
24 based upon the prior fiscal year's computation of agreed
25 upon terms and conditions pursuant to the agreement. We

1 were going to do an annual calculation based upon the cost
2 centers that were identified.

3 Q I believe you indicated previously that that
4 number, let's just say for the first year, that number
5 could have been more than or less than the \$2.10597 that we
6 see on page 2?

7 A That's correct.

8 Q Mr. Lenze, let's go back to your narrative
9 testimony, specifically page 19 and 20. My specific
10 reference is going to be a question and answer that begin
11 at the bottom of page 19 on line 24 carrying over to the
12 top of page 20 where you state that, "Prior to the
13 commencement of this litigation, you didn't know how much
14 water WACMA was purchasing from other suppliers." Is that
15 correct?

16 A That's correct.

17 Q Do you not routinely review annual water supply
18 reports filed by WACMA with the DEP?

19 A I do not routinely review them. They had not
20 been made available to MATR by WACMA.

21 Q Are they not public documents and available to
22 anyone that goes to DEP to take a look at them?

23 A They are certainly public documents.

24 Q Wouldn't you have needed to have that
25 information to assure yourself that WACMA was complying

1 with the terms of your contract with them, namely that they
2 purchase at least 85 percent of their water needs from you?

3 A We had a very good working relationship with
4 WACMA and we were attempting to get their data directly
5 from them without having to go through the expense of
6 asking the State of Pennsylvania to produce it.

7 Q Did you prepare MATR Exhibit 4, or was that
8 prepared by counsel? I can't remember what Mr. Zangrilli
9 indicated.

10 A It was prepared by counsel.

11 Q Do you know what the source of those data were?

12 A Can I take a look at that?

13 Q Sure.

14 (Witness perusing document.)

15 A Yes, the source is right on there, WACMA's
16 Annual Water Supply Report.

17 Q And, this exhibit, in fact, for every year from
18 1988 on shows precisely the type of information you said
19 was not available to you, correct?

20 A On an ongoing basis, that is correct, without
21 obtaining those documents through the State of
22 Pennsylvania. I would like to say for the record that
23 there were many request made for WACMA to produce any water
24 supply reports by MATR prior to my tenure and during my
25 tenure in conversations.

1 JUDGE NENE: Could you keep your voice up?

2 MR. VUONO: Yes, I'm having trouble hearing him.

3 THE WITNESS: Sure.

4 BY MR. GADSDEN:

5 Q Mr. Lenze, in response to our Interrogatory Set
6 2, Number 8, you provided us, or your organization provided
7 to us, a document captioned WACMA Proposed Water Service
8 Agreement, Summary and Evaluation of Relevant Facts, which
9 was transmitted by Mr. Antonelli to a Mr. Nicholas Bonesso
10 and copied to you. Do you recall that document?

11 A I'm...

12 Q And I should say that it was sent to you by Mr.
13 Antonelli on November 21, 2002, which was approximately six
14 months before this litigation commenced; do you recall that
15 document?

16 A I recall the title of the document.

17 Q Can we agree, or would you accept subject to
18 check, that in that document Mr. Antonelli, at least for
19 the years 1995 through 1999, shows statistics for WACMA's
20 total annual water use, the amount purchased from Robinson
21 Township and the percentage which the Robinson Township
22 sales comprised of WACMA's total water use?

23 MR. ZANGRILLI: If we could get the copy of what is
24 being referred to. Your Honor, may I approach the witness?

25 JUDGE NENE: Yes, you may.

1 (Mr. Zangrilli and witness perusing document.)

2 THE WITNESS: I have reviewed that page.

3 MR. ZANGRILLI: Your Honor, Mr. Antonelli, who is
4 the author of the document, is going to be the second
5 witness to be called. I would object to asking those
6 questions of Mr. Lenze when the author of the document is
7 going to be available from cross.

8 MR. GADSDEN: I'm not going into the preparation of
9 the document itself, Your Honor. It's Mr. Lenze who has
10 made a statement under oath that he was unaware of how much
11 water WACMA was purchasing from other suppliers until the
12 initiation of this litigation, and this document is
13 obviously intended to refute that claim. It was prepared
14 by Mr. Antonelli, but it was sent to Mr. Lenze.

15 JUDGE NENE: I will overrule the objection.

16 MR. GADSDEN: And, I have no further questions on
17 that point assuming Mr. Lenze is prepared to acknowledge
18 that that's the report shows.

19 JUDGE NENE: If Mr. Lenze knew about the report or
20 had that information, he can testify on that.

21 MR. ZANGRILLI: Mr. Gadsden, could you repeat the
22 question?

23 MR. GADSDEN: Certainly.

24 BY MR. GADSDEN:

25 Q Can we agree that Mr. Antonelli in his November

1 21, 2002 report, listed for the years 1995 through 1999
2 WACMA's total water usage, the amount of water sold by
3 Robinson Township to WACMA and the percentage which the
4 Robinson Township water comprised of WACMA's total water
5 use; isn't that what the document shows?

6 JUDGE NENE: You can answer that if you...

7 THE WITNESS: Is there an objection?

8 JUDGE NENE: There's no objection.

9 THE WITNESS: That's what this document attempts to
10 show, yes.

11 BY MR. GADSDEN:

12 Q In addition, Mr. Lenze, in response to our
13 Interrogatory Set 2, Number 4, you provided a number of
14 documents. Maybe I should read the question so it's clear
15 on the record what it was that we were asking for.

16 The question referred you again to this portion of
17 your testimony -- actually, it referred you to pages 16 and
18 17 of your testimony. In any even, the question reads,
19 "Please provide copies of all of the correspondence and
20 notes pertaining to discussions between the MATR and WACMA
21 with respect to the new water supply agreement reviewed by
22 Mr. Lenze." The answer is that, "Requested documents are
23 attached."

24 One of the documents that is attached is captioned
25 Municipal Authority of the Township of Robinson, Executive

1 Director's Report, June 14, 2000. I will show it to you,
2 but my question will be whether you would not agree that in
3 that -- let me clarify this.

4 Can I assume that this particular Executive
5 Director's report was not prepared by you but was prepared
6 by Mr. Constantino, your predecessor?

7 A Yes.

8 Q Can we agree that in the June 14, 2000 Executive
9 Director's report, Mr. Constantino specifically quantifies
10 the amount of water that WACMA was then purchasing on an
11 average daily basis from the Moon Township Municipal
12 Authority?

13 (Pause.)

14 A Could you repeat your question?

15 MR. GADSDEN: Could you read the question back?

16 (Whereupon, the reporter read from the record as
17 requested.)

18 THE WITNESS: The answer to that would be that he
19 is attempting to quantify the totals that WACMA is
20 purchasing on an average daily basis by piecing together
21 various information, some of which was prepared by the Moon
22 Township Municipal Authority engineer in their upgrade of
23 their facilities.

24 So, he does do a calculation, but it's based upon
25 facts that were brought to him by various sources.

1 BY MR. GADSDEN:

2 Q Would you turn to page 23 of your testimony.

3 A All right.

4 Q At this point you contend that Robinson spent
5 approximately \$4 million dollars to expand its treatment
6 plant in 1995 and that this was done in part in order to
7 serve WACMA; is that correct?

8 A That's correct.

9 Q As a preliminary matter, I think we established
10 this earlier, you were not around in 1995; let me clarify
11 that, you were not around in the employment of Robinson
12 Township?

13 A That is correct.

14 Q So, would it be fair to say that this statement
15 is based on your understanding of what took place in 1995
16 or your review of documents; how did you reach this
17 conclusion?

18 A My understanding of what took place in 1995,
19 essentially based upon the customer base the Authority had
20 and the long-term agreements that it had in place.

21 Q First off, Mr. Lenze, can we agree or would you
22 accept subject to check that the \$4 million dollar figure
23 that you cite encompassed not simply an expansion of the
24 treatment plant's capacity, but also included a meter
25 replacement program and the installation of the waste water

1 treatment system?

2 A No, that's not my recollection.

3 Q Mr. Lenze, in response to our Interrogatory Set
4 2, Number 6, we asked you to provide copies of all reports,
5 analyses and studies, including water demand projections
6 prepared by, for or on behalf of MATR upon which MATR based
7 its decision in whole or in part to expand the capacity of
8 its water treatment plant in 1995.

9 You provided us a document prepared by Mr. Antonelli
10 entitled Municipal Authority of the Township of Robinson
11 Financial Feasibility Water Report, Water System
12 Improvements, July, 1993. Can we agree that in that report
13 at page 9, Mr. Antonelli lists a number of projects which
14 sum to a total probably cost of \$4.55 million, of which the
15 water plant expansion comprised \$2.4 million dollars?

16 A I understand that this is an estimate that was
17 prepared by Mr. Antonelli, but it doesn't have any material
18 effect on my answer.

19 Q It's your sworn testimony that Robinson Township
20 invested \$4 million dollars for the sole purpose of
21 expanding its treatment plant capacity in 1995?

22 A My recollection in reviewing the closing
23 documents for the 1995 financing and the change order, not
24 only what the final bond issue would have been, together
25 with the requisitions pursuant to the construction contract

1 for the treatment plant, it is my recollection that my
2 response is accurate.

3 Q So, it's your understanding that over the course
4 of 18 months or thereabouts, from mid-1993 to 1995, the
5 project cost increased from \$2.4 million to \$4 million
6 dollars, about 67 percent; is that correct?

7 A I think I answered the question.

8 Q No, I don't think you did. Could you answer
9 that question, please; it's your understanding that between
10 1993 and 1995, the cost of this project went from an
11 estimated \$2.4 million to \$4 million dollars, or an
12 increase of approximately 67 percent?

13 A When including the water plant waste treatment
14 system.

15 Q Well, that gets back to my original question,
16 Mr. Lenze. Let's go through that one again.

17 A Okay.

18 Q At the starting point of this part of my cross
19 examination, I asked you accept subject to check that the
20 \$4 million dollar figure that you quoted in your testimony
21 included items other than the cost of expanding treatment
22 plant capacity, namely the meter replacement program and
23 the installation of the waste water treatment system; is
24 that correct or not.

25 Q I believe that your original question said

1 something with respect to a sewage treatment system. Until
2 I saw this document, I wasn't sure what you were referring
3 to. We do, as a municipal authority, operate sewage
4 treatment plants.

5 Having two looked at these two bullet points, I
6 would stipulate that the total plant project would have --
7 my answer is still accurate, but I believe that the water
8 plant waste treatment system would have been included in
9 that \$4 million dollar figure, and I would say that that is
10 a capacity related issue.

11 Q Could you agree that the meter replacement
12 program was also included?

13 A I would not believe that.

14 Q You would not?

15 A I would not believe that.

16 Q All right. Can we agree that the explanation
17 for the waste water treatment system was described as being
18 designed to recycle all of the filtered backwash water to
19 the head of the water treatment plant for reprocessing as
20 finished potable water?

21 A We can agree to that.

22 Q Can we also agree that one of the driving forces
23 behind the decision to expand the plant's capacity was the
24 fact that in the early to mid-1990s, Robinson entered into
25 an long-term contract to supply water to Findlay Township?

1 MR. ZANGRILLI: If the witness knows. He has
2 testified he wasn't there until year 2000.

3 JUDGE NENE: Certainly, on that condition.

4 THE WITNESS: I don't think I can respond to what
5 the thinking was of the people then. I think any water
6 treatment expansion has to take into account the customers
7 that are presently being served, not only those in
8 Robinson, but those in Western Allegheny and those in
9 Findlay, their growing needs.

10 BY MR. GADSDEN:

11 Q But, you are aware then, I gather, that in the
12 early to mid-1990s Robinson executed a contract to supply,
13 I believe, 85 percent of the water requirements to Findlay
14 Township; is that correct?

15 A I am aware, yes.

16 Q Is it your understanding that prior to the
17 execution of that contract, Findlay Township was not
18 purchasing any water from Robinson?

19 A I can't testify to that.

20 Q If you know?

21 A No, I don't know.

22 Q In response to our Interrogatory Set 2, Number
23 10, you provided documents prepared by NIRA Consulting
24 Engineers entitled Application for Public Water Supply
25 Permit, October, 1994, and this document was filed, as I

1 understand it, with what was then the Department of
2 Environmental Resources to obtain approval to expand the
3 treatment plant's capacity.

4 My question is whether we can agree that on page 1-1
5 under Description of Project, Robinson wrote, "Due to
6 population growth in the service area and the addition of
7 Findlay Township as a regular customer, the Authority must
8 increase the capacity of its water treatment facility;" is
9 that correct?

10 A We can agree that that document says exactly
11 what you read.

12 Q As Executive Director of the Robinson Authority,
13 is the administration of the Findlay Township contract
14 something that is within your overall responsibility?

15 A Yes.

16 Q And in that capacity, have you had an
17 opportunity from time to time to review the contract
18 between the Robinson and Findlay Township?

19 A Yes.

20 Q That contract, in fact, was provided to us in
21 response to Interrogatory Set 1, Number 2, and my question
22 to you is whether you can agree that when that contract was
23 executed in 1992, specifically July the 8th, it was stated
24 that the parties understood that Robinson's ability to
25 expand its treatment capacity in excess of the minimum of

1 the -- it's ability -- strike that.

2 The contract specifically provided that or
3 conditioned Robinson's obligation to provide Findlay
4 Township with all the water it needed, conditioned that
5 obligation on its ability to obtain approval to expand the
6 treatment plant capacity?

7 MR. ZANGRILLI: Your Honor, I have to object to
8 that question. It is so compounded.

9 MR. GADSDEN: All right.

10 JUDGE NENE: It is compound.

11 MR. GADSDEN: It is, and I apologize, Your Honor.
12 Let me go at it in a more direct fashion, Your Honor. I
13 will just read the provision and then get the witness to
14 agree that that's what the contract says.

15 JUDGE NENE: Okay.

16 BY MR. GADSDEN:

17 Q This is the July 8th, 1992 contract between the
18 Municipal Authority of the Township of Robinson and the
19 Findlay Township Water Authority. I will be reading from
20 the bottom of page 2 of that agreement as follows.

21 MR. ZANGRILLI: Your Honor, if I may, I would like
22 to put a copy in front of the witness.

23 MR. GADSDEN: Okay, thanks, Al.

24 BY MR. GADSDEN:

25 Q "It is agreed and understood by the parties that

1 MATR's ability to expand its treatment capacity and provide
2 water in excess of a minimum of 200,000 gallons per day as
3 well as its ability to continue to satisfy the water supply
4 needs of FTWA is dependant upon MATR securing additional
5 water allocation permits from the Pennsylvania Department
6 of Environmental Resources as overall system demands
7 increase." Did I read that correctly?

8 A Yes.

9 Q Mr. Lenze, in preparing for today's hearing, did
10 you do any analysis to determine to what extend the
11 additional sales generated by the Findlay Township contract
12 served to cover the additional debt service incurred by
13 Robinson when it constructed the plant expansion?

14 A No, I did not.

15 Q Did you take a look at that?

16 A No.

17 Q If we could turn to page 24 of your direct
18 testimony, here you discuss the expansion of Robinson's
19 main water transmission line. Do you recall that?

20 A Yes.

21 Q Has that project been completed?

22 A No, it has not.

23 Q Has it been started?

24 A Yes, it has.

25 Q Has construction been started?

1 A No, it has not.

2 Q Can we agree that there would be no need to make
3 that investment until approximately the year 2008 if WACMA
4 were to cease purchasing water from Robinson; in other
5 words, you could defer that investment?

6 A No, I couldn't agree to that.

7 Q Mr. Lenze, I am going to refer you to a document
8 that was discussed previously, namely the November 21, 2002
9 report prepared by Mr. Antonelli sent to Mr. Bonesso and to
10 you, which was provided to us in response to Interrogatory
11 Set 2, Number 8. We will probably be coming back to this
12 at some time.

13 A Okay.

14 Q At the top of page 2, the report lists four
15 specific projects, the first of which I understand to be
16 the one that you are talking about in your testimony. If I
17 am incorrect, please correct me.

18 It is referred to or denominated, Estimated cost to
19 extend new transmissions lines sufficient length to permit
20 pumping at maximum existing design capacity of 6 MGP. Is
21 that the project you are talking about in your testimony,
22 expansion of the main transmission?

23 A Yes.

24 MR. GADSDEN: I apologize, Judge, for not having
25 additional copies of these, and I thank Mr. Zangrilli for

1 making one available.

2 BY MR. GADSDEN:

3 Q Can we agree that in the middle of the page,
4 there is a block of information captioned, Estimated Dates
5 When Items 1 Through 4 Must Occur; do you see that?

6 A Yes, I do see that.

7 Q For each of the four items, there is listed a
8 date with WACMA, which I assumes means the assumption WACMA
9 remains a customer, date without WACMA, approximate bond
10 size, annual debt service 20-year bond, annual debt service
11 25-year bond and cost per thousand gallons under the two
12 alternative bond assumptions. Do you see that?

13 A Yes.

14 Q Can we agree that in the case of this specific
15 project that we have been discussing, what this report
16 indicates is that if WACMA were to remain a customer, you
17 would need this expansion by September, 2003, but if WACMA
18 were to cease being a customer, you wouldn't need it until
19 January, 2008; did I read that report correctly?

20 MR. ZANGRILLI: Your Honor, I would object at this
21 point and only to this extent; the author of this study is
22 Mr. Antonelli, who will be the next witness. He is the
23 witness who would be most capable of explaining what he
24 wrote.

25 If Mr. Lenze knows the answer, that's fine, but in

1 order to expedite things, I want to tell the Court that the
2 author of this document will be the next witness.

3 JUDGE NENE: Mr. Gadsden, would that help if we...

4 MR. GADSDEN: I'm happy to go that route, Your
5 Honor, but I think the document speaks for itself.

6 JUDGE NENE: The witness can answer if he knows.

7 MR. GADSDEN: The question was whether that's what
8 the document represents.

9 JUDGE NENE: All right.

10 BY MR. GADSDEN:

11 Q I think you can agree that what the document is
12 date with WACMA, September, 2003, and date without WACMA,
13 January, 2008; isn't that what the document says, Mr.
14 Lenze?

15 A Well, your question, as I recall, was whether or
16 not the project could be delayed to 2008, and my answer is
17 no.

18 Q Your answer is no?

19 A My answer is no. I will leave it at that.

20 Q What is your...

21 A I do acknowledge that this is what this
22 particular document states, but my answer is unchanged.

23 Q As we previously established, even though this
24 report says that you would need this line by September of
25 2003, date with WACMA, construction on this project in fact

1 has not started; is that correct?

2 A That is correct.

3 MR. GADSDEN: You would prefer that any further
4 questions I have with respect to this report be directed to
5 Mr. Antonelli?

6 JUDGE NENE: I think that's implied in the answer.

7 MR. GADSDEN: Okay, that's fine, Your Honor.

8 JUDGE NENE: Let's keep it to questioning the
9 author on the document.

10 MR. GADSDEN: Okay.

11 BY MR. GADSDEN:

12 Q Mr. Lenze, at pages 25 and 26 of your testimony
13 with specific reference to Q and A at the bottom of page 25
14 and the answer at the top of page 26, you claim that
15 Robinson would have to raise its rates by 30 percent if it
16 lost WACMA as a customer.

17 My question to you is whether that statement is
18 based on the analysis that was prepared by Mr. Antonelli
19 and provided to us in response to discovery? That's my
20 first question.

21 A Yes.

22 Q My second question is do you feel qualified to
23 answer questions with regard to that analysis or should I
24 save them as well for Mr. Antonelli?

25 A I think you should save them for Mr. Antonelli.

1 MR. GADSDEN: Very good. That's all I have, Your
2 Honor.

3 JUDGE NENE: Do we have any other cross?

4 MR. VUONG: No questions.

5 JUDGE NENE: Do you have any redirect?

6 MR. ZANGRILLI: No redirect, Your Honor.

7 JUDGE NENE: Thank you, Mr. Lenze.

8 THE WITNESS: You are welcome.

9 (Witness excused.)

10 JUDGE NENE: Mr. Zangrilli?

11 MR. ZANGRILLI: Yes, MATR calls Raymond Antonelli.

12 JUDGE NENE: Mr. Antonelli, would you please raise
13 your right hand?

14 Whereupon,

15 RAYMOND H. ANTONELLI, SR.

16 having been duly sworn, testified as follows:

17 DIRECT EXAMINATION

18 BY MR. ZANGRILLI:

19 Q Would you state your full name, please?

20 A Raymond H. Antonelli, Sr.

21 Q Mr. Antonelli, you are a registered professional
22 engineer in the Commonwealth of Pennsylvania; is that
23 correct?

24 A That is correct.

25 Q I have placed before you a document that is

1 marked MATR Hearing Exhibit 2, and I ask you is this the
2 statement of the direct testimony in this matter that you
3 prepared or was prepared on your behalf?

4 A Yes.

5 Q Are there any corrections or revisions that you
6 would want to make to this statement, this Exhibit 2 at
7 this time?

8 A No.

9 Q Are there exhibits attached to MATR Exhibit 2?

10 A Yes, there are.

11 Q Is the testimony and are the exhibits true and
12 correct to the best of your knowledge, information and
13 belief?

14 A Yes, they are.

15 MR. ZANGRILLI: Your Honor, I offer MATR Hearing
16 Exhibit 2 with the attached exhibits into evidence and move
17 its admission.

18 JUDGE NFNE: That will be admitted subject to cross
19 examination. Mr. Gadsden?

20 (Whereupon, the document were marked
21 as MATR Hearing Exhibit No. 2 for
22 identification and was received in
23 evidence.)

24 MR. GADSDEN: Could I have just one second?

25 JUDGE NENE: Sure.

1 MR. GADSDEN: Could we go off the record just a
2 minute, Your Honor?

3 JUDGE NENE: Yes. Off the record.

4 (Discussion off the record.)

5 JUDGE NENE: Back on the record. Before you begin,
6 I just want to state for the record that MATR Hearing
7 Exhibit 2 consist of a 13-page statement to which two maps
8 identified as Antonelli Exhibits 1 and 2 are attached.

9 MR. ZANGRILLI: That's correct, Your Honor.

10 JUDGE NENE: Mr. Gadsden.

11 MR. GADSDEN: Thank you, Your Honor.

12 CROSS EXAMINATION

13 BY MR. GADSDEN:

14 Q Mr. Antonelli, I want to start with several
15 questions that were referred to you by Mr. Lenze earlier.
16 You were in the hearing room during his cross examination,
17 were you not?

18 A Yes.

19 Q You recall my discussing with Mr. Lenze a
20 November 21, 2002 report that you sent to a Mr. Bonesso and
21 to Mr. Lenze entitled WACMA Proposed Water Service
22 Agreement, Summary and Evaluation of Relevant Facts?

23 A Correct.

24 Q And you, in fact, authored that report?

25 A I did.

1 Q Can we agree that at page 2 of that report, you
2 itemized four projects, one involving the extension of a
3 transmission line to permit pumping at a six million gallon
4 per day rate, and then three additional projects, one of
5 which provides an estimate of the cost to extend the
6 transmission line further to permit pumping at nine million
7 gallons a day, and third, an estimate of the cost to expand
8 the treatment plant to nine million gallons a day, and
9 fourth, an estimate of the cost to construct a transmission
10 line to Route 60; do you see that?

11 A Yes.

12 Q Can we further agree that with respect to each
13 of these four projects, you provide an estimate of the date
14 on which that facility would be needed with WACMA, a date
15 without WACMA, an estimate of the approximate bond size,
16 the bond that would have to be issued to finance the
17 investment, estimates of debt service, depending upon
18 whether the bond was carrying a 20- or 25-year term, and
19 the implicit cost per thousand gallons?

20 A Correct.

21 Q There was some confusion earlier when I
22 discussed with Mr. Lenze. Could you tell me what the dates
23 that appear under this column, date with WACMA, are
24 intended to represent?

25 A They are intended to represent that if we

1 continued to service WACMA, which represents currently
2 about 30 percent of our total water production, that the
3 need to make these certain improvements would be triggered
4 earlier in the time frame.

5 Q Are these particular investments triggered by
6 the projected increases in average daily water sales, peak
7 water sales or some combination of the two?

8 A My recollection is that the emphasis was on the
9 peak areas because of our problem in purchased water, the
10 cost of purchased water, so the time frames were more
11 intended to compensate for peak periods rather than average
12 daily. That's my recollection.

13 Q If I could ask you to turn a few more pages, the
14 full response that we were provided a cover page in which
15 we repeat the question and you answer, "The requested
16 documents are attached." Do you see that?

17 A Uh-huh.

18 Q We've got a transmittal letter that I referred
19 to earlier from you to Mr. Bonesso dated November 21, 2002,
20 and we have a five-page document, Proposed Water Service
21 Agreement, Summary and Evaluation of Relevant Facts, which
22 is the one we are dealing with, okay?

23 A Uh-huh.

24 JUDGE NENE: Is that a yes?

25 THE WITNESS: Yes.

1 BY MR. GADSDEN:

2 Q Then behind that, we have a document which
3 carries the same caption, WACMA Proposed Water Service
4 Agreement, Summary and Evaluation of Relevant Facts, with a
5 handwritten notation in the upper right-hand corner, Extra
6 Copy, which I believe contains the same five pages as the
7 first document, but also includes a couple of -- I will
8 call them flow charts, but they are not really flow charts,
9 which...

10 A Well, the diagrams showing time and flow, peaks,
11 average daily, so it's an estimate of taking where we were
12 back -- I guess it was 2000, the start point and projecting
13 that out at how our average daily would -- I would expect
14 the average daily flows to appear and how I would expect
15 the peaks to occur.

16 Q And at least this document indicated that the
17 transmission line increase would be required by the year
18 2000 if WACMA remained a customer; is that correct?

19 A In order to meet the peak demands, that's
20 correct.

21 Q And this document indicates that the
22 transmission line increase without WACMA would be somewhere
23 in approximately year 2010, 2011; is that correct?

24 A That's what that graph shows.

25 Q Getting back to the chart that's on page 2 that

1 we were talking about before...

2 A I would like to interject that there are other
3 reasons for the transmission main being constructed even
4 sooner. Those charts were intended to demonstrate the
5 maximum time frame in which you absolutely had to have it
6 in place based on those flow projections.

7 The ability to pump through our transmission mains
8 is the problem with the static heads between the treatment
9 plant and the storage tanks, and we do not have a very
10 large area for head losses through the piping system.
11 Therefore, in order to keep the pressures within the rated
12 capacities of the piping system, we could not pump more
13 than 4.2 MGD without exceeding those pressure values.

14 It doesn't mean you could not pump more, but when
15 you pump more, you pressurize the system beyond their
16 recommended operating pressures.

17 Q So, one of the purposes and/or benefits of
18 expanding the main line transmission line, the main water
19 transmission line, would be to increase fire flows; is that
20 correct?

21 A It would be for the purpose of reducing the
22 pressures under which the transmission and the distribution
23 system operate under. By increasing the pipe size, we
24 reduce the friction loss pressures and the system operates
25 at a lower pressure and results in less damage and breaks

1 to the piping system.

2 Q Can we agree that when you applied to the
3 Environmental Protection Agency for grant money to help
4 finance this line in early 2003, you indicated to the EPA
5 that one of the purposes or benefits of this project was to
6 increase fire flows?

7 A Yes, that's also a benefit.

8 Q Can we agree that you further indicated in the
9 same document, and my reference here, Mr. Antonelli, is to
10 the grant application that you provided to us in Set 2,
11 Number 9, that the expansion of the line would accommodate
12 a flow rate of 12 million gallons per day?

13 MR. ZANGRILLI: Your Honor, if I may, could I --
14 may I get that exhibit in front of the witness?

15 JUDGE NENE: Certainly.

16 MR. GADSDEN: Absolutely.

17 MR. ZANGRILLI: Mr. Gadsden, is this the document
18 that you are referencing?

19 MR. GADSDEN: I believe it is.

20 BY MR. GADSDEN:

21 Q My reference, Mr. Antonelli, is to the first
22 page of the attached narrative. Under the caption Project
23 Scope, this report states, does it not, "Additionally,
24 based on the expected buildup of the airport corridor, the
25 predicted ultimate treatment plant capacity is 12 MGD.

1 Subsequent to additional plant construction, construction
2 of the 24-inch, 30-inch transmission main would allow the
3 treatment plant to operate at the ultimate capacity?"

4 A That is correct.

5 Q Do you have any projection of when Robinson's
6 peak demands are likely to hit 12 millions gallons per day?

7 A I don't recall that I ever made a projection of
8 that, but I know that quite a long time ago it was
9 projected that that would be probably the ultimate of that
10 area, which included Robinson, North Fayette and Findlay
11 Township. I don't know how far that schedule goes out.

12 Q That's what I was going to refer you back to.
13 Can we agree that the diagram that you provided to us as an
14 attachment to your response to Set 2, Number 8, namely the
15 November 21 report, shows a projected peak demand with
16 WACMA in the year 2027 of something less than nine million
17 gallons per day?

18 A Yes, actually my chart went out to just prior to
19 -- to 2024, but it projects out. It's less than nine,
20 right.

21 Q Okay. Going back to the November 21, 2002
22 report, just to get a few facts on the record, when this
23 report was prepared, you anticipated that this expansion
24 would be needed in September -- expansion of the
25 transmission line would be needed in the latter part of

1 2003 with WACMA and January of 2008 without WACMA; is that
2 correct?

3 A That's correct.

4 Q And the projected investment was \$3.55 million
5 dollars?

6 A That's correct.

7 Q If that investment were made, you expected or
8 estimated an annual debt service requirement of between
9 \$270,000 and \$300,000 a year?

10 A Right.

11 Q Item number 2, which is the extension of the
12 transmission line to permit a pumping rate of nine million
13 gallons daily, with WACMA you believed this project would
14 be needed in June of 2010, and without WACMA the project
15 would not be needed in January of 2022; is that correct?

16 A That's correct.

17 Q And the estimated investment is \$1.37 million
18 with projected annual debt service of between \$115,000 and
19 \$126,000 a year; is that correct?

20 A That's correct.

21 Q Item 3 is the expansion of the treatment plant
22 to nine million gallons from six. With WACMA, again we
23 have a June, 2010 date, and without WACMA, a January 2022
24 date and an approximate bond size of \$4.9 million dollars
25 and an estimated annual debt service of between \$409,000

1 and \$448,000; is that correct?

2 A That's correct.

3 Q And finally, we have a project, estimated cost
4 to conduct transmission line to Route 60. That project
5 with WACMA was June of 2028, without WACMA, January, 2034,
6 and estimated investment of approximately \$887,000 and a
7 debt service annually of between \$68,000 and \$81,000?

8 A That's correct.

9 Q A second area of inquiry that Mr. Lenze referred
10 to you, Mr. Antonelli, related to his assertion in his
11 direct testimony that if WACMA ceased purchasing water
12 Robinson Township, Robinson Township would have to increase
13 its rates by approximately 30 percent, and I believe he
14 indicated that that statement was based on an analysis that
15 you prepared for him and that I believe was provided to us
16 in response to Interrogatory Set 1, Number 13.

17 MR. ZANGRILLI: If I could get a copy in front of
18 the witness?

19 JUDGE NENE: Yes.

20 THE WITNESS: I am familiar with that document.

21 BY MR. GADSDEN:

22 Q Are you familiar with this analysis, Mr.
23 Antonelli?

24 A Yes, sir, I am.

25 Q You prepared it yourself?

1 A Yes, I did.

2 Q Okay. In broad terms, as I understand this
3 analysis, what you did was take the revenues that were
4 derived from sales to WACMA during the 12 months ended June
5 30, 2003, and then you subtracted from that number the
6 electric power, chemical and sludge disposal costs that
7 implicitly could be avoided if you were no longer making
8 those sales.

9 Then you concluded that the balance, which I believe
10 is approximately \$844,000, would have to be recovered from
11 Robinson's other customers. Is that a fair summary?

12 A That's correct.

13 Q Can we agree that Robinson's sales to WACMA
14 during the 12 months ended June 30, 2003 were unusually
15 high?

16 A They amounted to 442 million gallons. I would
17 say that was on the high side, yes.

18 Q Are you responsible for preparing the annual
19 consulting engineer's reports for Robinson?

20 A I am.

21 Q And, those reports provide annual sales data for
22 both WACMA and Findlay Township, do they not?

23 A Yes, they do.

24 Q Am I correct that the most recent report
25 prepared by you covered the operating year of June 30, 2002

1 to June 30, 2003 and a budget for fiscal year ended June
2 30, 2004?

3 A That is correct.

4 Q If we look at page 2 of that report, we see, do
5 we not, that the WACMA sales were, as you previously
6 indicated, approximately 442 million gallons during the
7 2002-2003 period and that this represented a fairly
8 significant increase from prior years?

9 A Yes.

10 Q In fact, in this same document you budget a
11 lower level of wholesale sales for the 2003-2004 period
12 than actually were experienced for the 2002-2003 period; is
13 that correct?

14 A If that's what the document shows, then yes.

15 Q Would you accept subject to check, or would you
16 like to take a look at it?

17 A I accept subject to check.

18 Q Okay. Mr. Antonelli, am I correct that in
19 several years, including the period of 2003, that Robinson
20 has incurred substantial purchased water expense by having
21 to buy water from Pennsylvania-American to meet WACMA's
22 needs; is that true?

23 A That is true, and it was particularly burdensome
24 in that in the period where the sales had gone up, and to
25 my knowledge, those sales had gone up because of the

1 inability of Moon to provide flows to WACMA. As a result
2 of that, all of the burden was placed on the Robinson
3 plant.

4 Q Are the costs that we are talking about set
5 forth in your annual reports under the caption, Standby
6 Service Water Purchases Power Costs?

7 A Correct.

8 Q Can we agree that during the 12 months ended
9 June 30, 2003, Robinson Township purchased approximately
10 \$445,800 of water and incurred standby service power costs
11 of \$12,700 for a total of \$458,500?

12 A That is correct. That is a projection based on
13 a nine-month history and projected out for a 12-month
14 period. As the chart shows, it is a projection, but to my
15 knowledge, that is pretty much the way it ended up for the
16 year.

17 Q As I understand several of the discovery
18 responses that we received from Robinson, Robinson has not
19 sought to recover those additional purchased water costs
20 from WACMA; is that your understanding?

21 A I don't know of any attempt on the part of
22 Robinson to collect those charges at this time.

23 Q Did the analysis that you presented in response
24 to Set 1, Number 13 take into account purchased water
25 costs?

1 A No, it does not.

2 Q Mr. Antonelli, I have a few questions with
3 respect to your direct testimony, which I believe is
4 Hearing Exhibit Number 2. My first reference is to page 7.

5 A Okay.

6 Q It's a very minor point, but in your -- you are
7 asked at line 4, "What are the water transmission
8 capabilities of each interconnect," and here you are
9 talking about the two interconnections between and Robinson
10 and WACMA, right?

11 A That's correct.

12 Q You indicate that, "The eight-inch
13 interconnect," which I understand is the original
14 interconnect, "is capable of more than a million gallons
15 per day when pumping is utilized." Then you state, "The
16 new 12-inch interconnect should be capable of two million
17 or more gallons a day," and I taken by your use of the word
18 "should" and perhaps you could explain why you said
19 "should" instead of is?

20 A Well, because I didn't go through any complete
21 hydraulic analysis. Just based on the size, that's an
22 estimate, a rough estimate, so that's why should was used.

23 Q That's what I thought. Beginning at the bottom
24 of that page and running over to page 8, you discuss a new
25 12-inch water line along Mobay Road. Do you recall that?

1 A Yes.

2 Q Is it your testimony that that line was
3 installed for the sole purpose of facilitating a second
4 interconnect with WACMA, or were there other reasons why
5 your client moved forward with that project?

6 A There were other reasons for that and those
7 other reasons, I think as I state there, the McMetro
8 Commercial Development Project was one of the reasons that
9 the 12-inch line was also supplied.

10 As I recall, the issue became whether or not with
11 the current eight-inch pipe and the work that the developer
12 was going to do in extending the water lines within their
13 own site, the fire flow requirements of the home builders
14 -- I'm trying to think of the name of the -- it's not Home
15 Depot...

16 MR. ZANGRILLI: Lowes.

17 THE WITNESS: Lowes. The sprinkler requirements
18 and fire flow requirements that were given to me by the
19 Lowes people suggested that we would not be able to satisfy
20 their fire flow requirements unless that 12-inch line was
21 constructed.

22 So, that the 12-inch line had a dual function. It
23 enhanced our ability to provide water to WACMA and it
24 provided a safer situation for the fire flow calculations
25 and requirements indicated to us by the developer.

1 BY MR. GADSDEN:

2 Q The Lowes store that you referred to was a new
3 customer?

4 A Yes.

5 Q To the best of your knowledge, the store is up
6 and running and purchasing water from Robinson Township?

7 A It is.

8 Q Was the developer assessed a tap-in fee by
9 Robinson Township?

10 A I believe it was.

11 Q Do you have any estimate of how much?

12 A I wouldn't know offhand.

13 Q Would it be fair to say that the tap-in fee then
14 served to defray the cost of extending the line?

15 A Well, I would say that the tap-in fee produces
16 income. Now whether you want to associate that with the
17 reduction in the cost of the line -- I mean, the money goes
18 to other purposes in the Authority. It doesn't just go to
19 the cost of constructing the 12-inch line.

20 Q Mr. Antonelli, at the bottom of page 9 beginning
21 on line 25, you state as follows: "The hydraulic gradient
22 of MATR's system could supply most or all of WACMA's system
23 by gravity if WACMA's transmission and distribution system
24 was upgraded to take advantage of this hydrostatic
25 pressure." Do you see that?

1 A Yes.

2 Q In our Interrogatory Set 3, Number 6, we asked
3 you to provide copies of all reports, studies or analyses
4 on which you based that conclusion, and we also asked you
5 to describe the necessary upgrades that would be required
6 and their estimated costs. Can we agree that the entirety
7 of your answer was, "No such documents exist?"

8 A That's correct.

9 Q Finally if I could refer you to pages 11 and 12
10 of your testimony, specifically to the bottom of page 11
11 and the answer that begins on line 22, you state that,
12 "MATR would not likely have sufficient capacity to serve
13 WACMA," and here I think we are referring to to serve WACMA
14 at the conclusion of its 15-year contract with PAWC, --

15 A That's correct.

16 Q -- "unless planning and infrastructure
17 improvements were being made in anticipation of providing
18 such service." Do you see that?

19 A Yes.

20 Q Am I correct that when we asked you to support
21 this statement with reports or studies or analyses, your
22 answer in its entirety again was, "No such documents
23 exist?"

24 A And, that is correct, and no such document is
25 necessary as far as I am concerned. I think it goes

1 without saying that having a customer that would represent
2 30 or more percent of our total water needs, if we weren't
3 planning for it in advance, that when the 15-year period
4 lapsed, we certainly wouldn't be in a position to have 30
5 or 40 percent increase in our system.

6 Q If you were able to plan for that, presumably
7 you could make those investments; is that correct?

8 A Absolutely.

9 MR. GADSDEN: That's all we have, Your Honor.

10 JUDGE NENE: Okay. Does the intervenor have any
11 questions?

12 MR. VUONO: No questions.

13 JUDGE NENE: Redirect?

14 MR. ZANGRILLI: Just a couple questions.

15 REDIRECT EXAMINATION

16 BY MR. ZANGRILLI:

17 Q Mr. Antonelli, you were asked a question about
18 the water purchases by WACMA in the 2003, 2002 to 2003. I
19 think your testimony -- Mr. Gadsden asked you, was that up
20 high, and you said it was high?

21 A Yes.

22 Q I want to put before you what we have marked as
23 MATR Exhibit 4. Between the year 1988 and the year 2002,
24 how much did WACMA's purchase increase during that period
25 of time on an average daily usage?

1 A These are the WACMA's purchases?

2 Q Right, WACMA's purchases from MATR?

3 A From the year 2001?

4 Q No, from 1988 to 2002?

5 A Well, it more than doubled.

6 Q More than doubled?

7 A Yes.

8 Q On the whole, Mr. Antonelli, are the purchases
9 from MATR by WACMA increasing annually or staying constant?

10 A I believe they are increasing.

11 MR. ZANGRILLI: That's all I have.

12 JUDGE NENE: Did you want to recross on that?

13 MR. GADSDEN: Just a couple questions.

14 RECROSS EXAMINATION

15 BY MR. GADSDEN:

16 Q Just so the record is clear actually, I guess
17 the document speaks for itself. Mr. Antonelli, we can
18 agree that the average daily sales by Robinson to WACMA in
19 the year 2002 were 1,750,000 gallons; is that correct?

20 A That's what the chart shows, yes.

21 Q And just so there is no confusion on this point,
22 is it your understanding that the years we are referring to
23 are calendar years or fiscal years, or don't you know?

24 A Well, I don't know. It depends on whether this
25 information came from my annual report, because we operate

1 on a fiscal year, and the annual water reports operate on a
2 calendar year, so it would depend on how those would go.

3 Q We can agree that prior to the 2002 year, the
4 highest previous level was 885,000 gallons per day in the
5 year 2000?

6 A That is correct.

7 MR. GADSDEN: That's all we have.

8 JUDGE NENE: Than you, Mr. Antonelli. The
9 documents, your statement and the two exhibits will be made
10 part of the record. Thank you.

11 (Witness excused.)

12 We have been going for two hours now. Let's take a
13 break until shortly after 11:00.

14 At that point, Mr. Zangrilli, you are finished with
15 your evidence?

16 MR. ZANGRILLI: No, I'm going to call Mr. Nichols
17 are on cross examination and I will tell you why.

18 JUDGE NENE: Off the record.

19 (Discussion off the record.)

20 JUDGE NENE: Back on the record. We are having a
21 dispute here about the order of witnesses.

22 MR. ZANGRILLI: Yes. As long as the testimony that
23 I elicit from Mr. Nichols is considered testimony in my
24 case in chief, I'm certainly willing to defer my cross
25 examination until later, but I don't want to be in a

1 position where I have closed and not had what I consider to
2 be facts necessary to support our contentions established.

3 JUDGE NENE: Do you have any objection?

4 MR. VUONO: I don't have a problem with that
5 provided we all understand that if you call him, you are
6 bound by his answers.

7 MR. ZANGRILLI: No, that's not Pennsylvania law.
8 It was Pennsylvania law until year 2002, and that law has
9 been abdicated.

10 MR. VUONO: We can argue about that.

11 MR. ZANGRILLI: Well.

12 JUDGE NENE: Well, no, I think if you want to call
13 him as your own as on cross, if you want to do that, you
14 have the right to do that and avoid any issues of whether
15 or not it's admissible evidence from your cross.

16 MR. ZANGRILLI: That's right. I agree that if
17 there is an issue of law, it will be briefed, but we are
18 categorically, absolutely certain that that rule, which was
19 the rule in Pennsylvania, is no longer the rule in
20 Pennsylvania.

21 MR. VUONO: So, if we are only talking about timing
22 in the terms of orderliness, why don't we just -- I'll call
23 him, introduce my evidence and then you can cross.

24 JUDGE NENE: And your cross examination evidence
25 will be part of your case in chief.

1 MR. VUONO: That's fine.

2 MR. ZANGRILLI: That's fine.

3 JUDGE NENE: Let's take a short recess.

4 (Recess.)

5 JUDGE NENE: We are back on the record. I think we
6 are ready to proceed. Mr. Zangrilli?

7 MR. ZANGRILLI: Could I have one second to make
8 sure that I have...

9 JUDGE NENE: Sure.

10 MR. ZANGRILLI: May I do this now since it's really
11 part of my case in chief?

12 JUDGE NENE: Yes.

13 MR. ZANGRILLI: I want to offer into evidence and
14 move the admission of MATR Hearing Exhibit Number 5, which
15 are excerpts from the record taking at the PUC Docket
16 Number R-00943231, relating to the intended scope and
17 purpose of PAWC's rate Riders DRS, DIS and ATS.

18 These documents have been served on opposing counsel
19 and, of course, opposing counsel would be familiar with
20 them because they were counsel in that very case, but we
21 want to offer that as an exhibit and move it's admission.

22 JUDGE NENE: Any objection, Mr. Gadsden?

23 (Whereupon, the document was marked
24 as MATR Hearing Exhibit No. 5 for
25 identification.)

1 MR. GADSDEN: We have no objection, Your Honor, and
2 I might take this opportunity to do the same with respect
3 to my exhibit.

4 We have previously prepared and distributed to all
5 counsel a document that we pre-marked for identification as
6 PAWC 3-A, which similarly consists of excerpts from the
7 record taken at the proceeding referenced by Mr. Zangrilli,
8 portions of that record which we obviously think are
9 relevant to this proceeding.

10 I have no objection to Mr. Zangrilli's exhibit and
11 move the admission of mine, which as I said before is PAWC
12 Exhibit 3-A.

13 MR. ZANGRILLI: No objection.

14 JUDGE NENE: Very well, MATR Hearing Exhibit 5 will
15 be made part of the record.

16 (Whereupon, the document marked as
17 MATR Exhibit No. 5 was received in
18 evidence.)

19 MR. ZANGRILLI: Thank you, Your Honor.

20 JUDGE NENE: And PAWC Exhibit 3-A will be made part
21 of the record.

22 (Whereupon, the document was marked
23 as PAWC Exhibit No. 3-A for
24 identification and was received in
25 evidence.)

1 MR. ZANGRILLI: Your Honor, just one second. Let
2 me get the court reporter...

3 JUDGE NENE: We are not going to rush you, Mr.
4 Zangrilli.

5 MR. ZANGRILLI: If we do this orderly, Judge, then
6 I will know that she has the two copies that she requires.

7 JUDGE NENE: Do you have a copy for me, Mr.
8 Gadsden?

9 MR. GADSDEN: I can give you mine, Your Honor. I
10 did send one out to Judge Gesoff.

11 JUDGE NENE: Let me see. I may have it right here.

12 MR. GADSDEN: It was distributed around January the
13 7th or 8th, somewhere in that neighborhood.

14 JUDGE NENE: I have that exhibit, Mr. Gadsden.

15 MR. ZANGRILLI: I am giving the court reporter two
16 copies of MATR Hearing Exhibit 5. Then, Your Honor, I do
17 want to offer into evidence and move the admission of MATR
18 Hearing Exhibit 5-A, which is excerpts from the briefs that
19 were filed at Docket R-0094323. I would move it's
20 admission.

21 Mr. Gadsden put his briefs and testimony in one
22 exhibit. I broke mine into two.

23 JUDGE NENE: I assume you have no objection to that
24 exhibit being made a part of the record?

25 MR. GADSDEN: I do not, Your Honor.

1 JUDGE NENE: MATR Hearing Exhibit 5-A will be made
2 part of the record.

3 (Whereupon, the document was marked
4 as MATR Hearing Exhibit No. 5-A for
5 identification and was received in
6 evidence.)

7 MR. ZANGRILLI: I will give two to the court
8 reporter. Off the record?

9 JUDGE NENE: Off the record.

10 (Discussion off the record.)

11 JUDGE NENE: Back on the record.

12 MR. ZANGRILLI: Your Honor, subject to Your Honor's
13 ruling on cross examination coming in as part of my case in
14 chief we are prepared now to defer PAWC.

15 JUDGE NENE: All right.

16 MR. GADSDEN: Your Honor, the company will be
17 presenting three witnesses this morning and this afternoon,
18 those being Mr. Grundusky, Mr. Seidl and Mr. Stout. We
19 will call at this time Mr. Grundusky.

20 JUDGE NENE: Mr. Grundusky, would you please raise
21 your right hand?

22 Whereupon,

23 BERNARD J. GRUNDUSKY
24 having been duly sworn, testified as follows:

25 MR. GADSDEN: Mr. Grundusky will be sponsoring a

1 statement of direct testimony as well as three exhibits,
2 each of which I will ask to have marked for identification
3 at this time. First as Mr. Grundusky's direct testimony, a
4 document consisting of written testimony in question and
5 answer form, consisting of seven pages of Q and A, and that
6 I would ask be marked as PAWC Statement Number 1.

7 Secondly, as PAWC Exhibit 1-A, an excerpt from the
8 company's tariff, specifically that portion setting forth
9 Rider DRS; next as PAWC Exhibit 1-B, a map indicating the
10 location of the facilities to be utilized by PA-American in
11 providing service to WACMA, and finally, as Exhibit 1-C, a
12 document styled Minimum Rate Calculation.

13 I would note that the three exhibits are identified and
14 discussed by Mr. Grundusky in his direct testimony.

15 JUDGE NENE: Any objections?

16 MR. ZANGRILLI: No, Your Honor.

17 (Whereupon, the documents were marked as PAWC
18 Statement No. 1 and PAWC Exhibit Nos. 1-A, 1-B and
19 1-C for identification and were received in
20 evidence.)

21 DIRECT EXAMINATION

22 BY MR. GADSDEN:

23 Q Mr. Grundusky, do you have the copies of the
24 documents that I just referred to, PAWC Statement Number 1
25 and Exhibits 1-A through 1-C?

1 A I do.

2 Q Does PAWC Statement Number 1 constitute your
3 direct testimony in this proceeding?

4 A Yes, it does.

5 Q It was prepared by you or under your direction
6 and supervision?

7 A Yes, it was.

8 Q Are there any corrections or revisions that need
9 to be made to Statement Number 1 at this time?

10 A No, there are not.

11 Q If I were to ask you the questions set forth in
12 Statement Number 1 today, would your answers be as
13 contained therein?

14 A Yes, they would.

15 Q Would they true and correct to the best of your
16 knowledge?

17 A Yes, they would.

18 Q Mr. Grundusky, were you also responsible for
19 either preparing or assembling the materials that have been
20 provided as PAWC Exhibits 1-A, 1-B and 1-C?

21 A Yes.

22 Q In the case of 1-A, does that single sheet
23 accurately reflect what is contained in the company's
24 tariff?

25 A Yes.

1 Q The information provided and/or depicted in
2 Exhibits 1-B and 1-C, are they true and correct to the best
3 of your knowledge?

4 A Yes.

5 MR. GADSDEN: Your Honor, at this time, subject to
6 cross examination, I would move the admission of PAWC
7 Statement Number 1 and Exhibits 1-A, 1-B and 1-C, and I
8 will provide two copies to the court reporter.

9 JUDGE NENE: All right. They will be made part of
10 the record --

11 MR. ZANGRILLI: Your Honor, we have -- I'm sorry,
12 Your Honor.

13 JUDGE NENE: -- subject to cross examination unless
14 Mr. Zangrilli has something else.

15 MR. ZANGRILLI: I do have motions to strike
16 portions of this testimony. If I may, I would direct the
17 Court to page 2, lines 14 through 16, in which the witness
18 states, "The purpose of my testimony is to explain that the
19 Water Sales Agreement entered into between Pennsylvania-
20 American and the Western Allegheny County Municipal
21 Authority ("WACMA") satisfies the terms of Rider DRS
22 (Demand Resale Service) to the Company's tariff."

23 We object in that this calls for the provision of
24 the ultimate conclusion. Whether or not the water sales
25 agreement that is at issue in this case satisfies the terms

1 of Rider DRS is a question for the Court. That is really
2 the sole issue in this case, and I think that the potential
3 for prejudice is too great if it admits this testimony.

4 Further, the terms of the tariff and the history of
5 the tariff as is presented to the Court in the reciprocal
6 exhibits concerning the meaning of that tariff plus the
7 other evidence is what this Court needs to decide the case.
8 We don't need his opinion as to whether or not Rider DRS is
9 satisfied. We move to strike lines 14 through 17.

10 MR. GADSDEN: I think we are nitpicking at this
11 point, Your Honor. Mr. Grundusky is not offering a legal
12 conclusion in any sense and we will so stipulate. He is
13 describing why the company believes that it is acting in
14 compliance with the terms of it's rider and that's all this
15 Q and A is designed to do.

16 We are not offering a conclusion through Mr.
17 Grundusky as to ultimate issues in this case, and with that
18 understanding, I would hope that the motion to strike would
19 be withdrawn.

20 JUDGE NENE: Would you withdraw that motion, or
21 would you rather -- maybe the witness could add a phrase in
22 his answer?

23 MR. ZANGRILLI: Well, I would say this, as long as
24 this is not going to be construed as a legal conclusion,
25 then we won't object to lines 14 through 17.

1 JUDGE NENE: I understood a little of this when I
2 came in, but I do understand that this is the legal issue
3 that has to be decided here, and the witness's statement is
4 not going to be convincing or is not going to be the
5 deciding factor.

6 MR. ZANGRILLI: Your Honor, we would have an
7 identical objection, though, to a more serious attempt to
8 usurp the power of the Court on page 4, the question posed
9 at line 13. "Does the Water Sales Agreement between
10 Pennsylvania-American and WACMA satisfy the terms of Rider
11 DRS?" We would make the same objection to that.

12 MR. GADSDEN: We would offer the same response. If
13 we need to insert words to the effect of why the company
14 believes that the agreement satisfies the terms of Rider
15 DRS, I'm perfectly happy to do that, but again, I think we
16 are nitpicking.

17 JUDGE NENE: I believe that we are all able to
18 understand that this is the company's position, that they
19 believe they are right. You believe that your arguments
20 are right, too. I am not going to take this as a
21 conclusion. I don't see the need to strike that from the
22 record.

23 MR. ZANGRILLI: Your Honor, on page 5, lines 10
24 through 12, we object to the following. "In fact,
25 Pennsylvania-American and its customers have already felt

1 the additional revenue requirement burden associated with
2 the loss of water sales to WACMA." I would object on the
3 grounds of hearsay and conjecture.

4 MR. GADSDEN: I don't think it's either hearsay or
5 conjecture, and I think Mr. Grundusky is perfectly prepared
6 to explain what the basis for that statement is.

7 JUDGE NENE: I will overrule the objection. You
8 can cross examine Mr. Grundusky concerning that statement.

9 MR. ZANGRILLI: I have one more objection and one
10 more motion to strike. The question on page 5 on line 21
11 reads as follows. "Was it likely that, without the Water
12 Sales Agreement, Pennsylvania-American would lose even its
13 much lower post-1998 level of sales to WACMA?"

14 That calls for speculation and we would object to
15 it. Notice, Your Honor, "Was it likely that, without the
16 Water Sales Agreement, Pennsylvania-American would lose."
17 That's pure speculation and we object and move that it be
18 stricken.

19 MR. GADSDEN: Again, I think this goes to a
20 question of cross examination. If Mr. Zangrilli wants to
21 question Mr. Grundusky on why he believes that to be the
22 case, that's fine. I don't see any need to strike this.

23 Mr. Zangrilli's own exhibit shows that beginning in
24 1998, sales by Pennsylvania-American to WACMA decreased
25 from year to year, so I don't think it's an exceptional

1 stretch for the company to conclude that further declines
2 in sales consistent with the pattern that they have seen
3 for four or five years was a possibility.

4 If we want to substitute the word, possible, for
5 "likely" there, we would be happy to do that, too.

6 JUDGE NENE: I believe that if this question was
7 asked right here and there was an objection made, I would
8 sustain the objection and ask that that be stricken. I
9 will strike the question that was asked and I will let
10 counsel rephrase that question if he wishes to pursue it on
11 direct.

12 MR. GADSDEN: Let me ask Mr. Zangrilli this. Would
13 he object if the question read, "Is it possible that
14 without the Water Sales Agreement, Pennsylvania-American
15 could lose even its much lower post-1998 level of sales?"

16 MR. ZANGRILLI: No. My objection remains. That's
17 purely speculative. We don't think that they will. We
18 don't think that...

19 MR. GADSDEN: That's speculation. My question as
20 presented says it's possible, and now Mr. Zangrilli is the
21 one who wants to speculate as to what will be.

22 JUDGE NENE: Yes, I think the answer will be
23 speculation, and that's what witnesses do. I don't know
24 that that's objectionable.

25 MR. GADSDEN: We will listen to Mr. Zangrilli,

1 obviously, but we would then move to rephrase the question
2 to read, "Is it possible that without the Water Sales
3 Agreement, Pennsylvania-American could lose its much lower
4 post-1998..."

5 JUDGE NENE: I don't see that as offensive at all.
6 I will allow that.

7 MR. GADSDEN: Thank you, Your Honor.

8 CROSS EXAMINATION

9 BY MR. ZANGRILLI:

10 Q Mr. Grundusky...

11 MR. GADSDEN: Grundusky.

12 BY MR. ZANGRILLI:

13 Q Mr. Grundusky, I'm sorry. On page 1, you
14 testified that you were employed as a rate analyst in the
15 Rate and Revenue Department of the Service Company. Do you
16 see that?

17 A Yes.

18 Q Is the Service Company a part of the
19 Pennsylvania-American Water Company?

20 A The Service Company is a company from American
21 Water Works Company designated to provide service to
22 subsidiary companies under the American Water Works,
23 Incorporated, include Pennsylvania-American.

24 Q So, the Service Company is owned by which
25 company, American Water Works?

1 A Correct.

2 Q And, Pennsylvania-American Water Company, PAWC,
3 is also owned by American Water Works; is that correct?

4 A Pennsylvania-American is a subsidiary of
5 American Water Works.

6 Q I want to clarify something that you stated on
7 page 4 and I want to direct your attention to lines 19 and
8 20 where you state, "WACMA clearly had competitive
9 alternatives, such as, the Complainant, Robinson Township,
10 Allegheny County and Moon Township Municipal Authority."
11 Do you see that?

12 A Yes.

13 Q I want to clarify that you are not asserting,
14 are you, that the County of Allegheny is an alternative
15 water supplier to WACMA, but merely you are using to modify
16 where Robinson Township is located?

17 A Correct.

18 Q Because as far as you know, Allegheny County has
19 no water production or distribution facilities in the WACMA
20 area?

21 A Correct.

22 Q I want to go to page 5. You state, and we have
23 been through this assertion before, on line 10, "In fact,
24 Pennsylvania-American and its customers have already felt
25 the additional revenue requirement burden associated with

1 the loss of water sales to WACMA." I read that correctly,
2 did I not?

3 A Yes.

4 Q Are you asserting that the alleged decline of
5 PAWC sales to WACMA have created a burden to PAWC?

6 MR. GADSDEN: I think he said "revenue requirement
7 burden."

8 BY MR. ZANGRILLI:

9 Q Can you explain what you mean?

10 A The loss of revenue from the declining water
11 sales from Pennsylvania-American to Western Allegheny,
12 WACMA, has resulted in lower revenues being collected from
13 Pennsylvania-American from Western Allegheny.

14 To the extent that those lower revenues are not
15 realized by the company, the company is faced with a
16 revenue requirement as a result of the loss of the revenues
17 from that revenue stream. Therefore, a revenue requirement
18 is created from the loss of the revenue.

19 Q Mr. Grundusky, wouldn't you agree with me that
20 even in its best years, the amount of water that PAWC sells
21 to WACMA is infinitesimal in contrast to the water that
22 PAWC sells totally?

23 A No.

24 Q You would not agree with me on that assertion?

25 A No, not as stated.

1 Q Would you agree with me that the total water
2 sales for Pennsylvania-American in 1991 would be 50
3 billion, 711 million gallons of water; does that sound
4 fairly accurate?

5 A I do not know.

6 Q Would you agree with me that -- I want to give
7 you Exhibit 4. Take a look at MATR Exhibit 4. If I told
8 you that the percentage, the average percentage of water
9 sold by PAWC to WACMA between the years 1988 to 1998 would
10 be on the average of 54,248, would you agree with that?

11 MR. GADSDEN: What as the period, Mr. Zangrilli?

12 MR. ZANGRILLI: From 1988 to 1998.

13 MR. VUONO: Gallons?

14 MR. ZANGRILLI: That's right, gallons per day.

15 THE WITNESS: Subject to check.

16 BY MR. ZANGRILLI:

17 Q Subject to check, but it looks like it might be
18 fairly accurate looking at the numbers?

19 A (No response.)

20 Q Then if you took the period of time from 1999 to
21 2002, those four years, subject to check would you agree
22 with me that the average sales in terms of average daily
23 use gallons per day would be 13,202 gallons?

24 A Subject to check.

25 Q So, what you are asserting, if I understand your

1 position and you can correct me if I'm wrong, that the loss
2 here between the years 1988 and 1999 where we said the
3 average was 54,248 gallons per day, and the years 1999
4 through 2002, which we said would be 13,202 average, if you
5 subtract the 13,202 from the 54,248, you would come up with
6 41,046 gallons per day. Would you agree with that subject
7 to check?

8 Q Would I be correct in assume that the water that
9 PAWC sold to WACMA during that period of time was sold --
10 no, strike that question -- that the current rate at which
11 PAWC sells water to WACMA is \$3.92 per thousand gallons; is
12 that correct?

13 A Yes, I believe that is correct, as well as a
14 meter charge.

15 Q Yes, in addition to the meter charge, but we
16 will leave the meter charge out of the equation. If my
17 math is correct, what we are talking about here, if we
18 multiply 41 time \$3.92, and if you annualize that, we are
19 talking about a loss of \$58,662 annually; isn't that
20 correct?

21 A I would agree with the mathematics of your
22 question as stated. However, I would also state that the
23 amount of revenue lost is not accurate portrayed by that
24 statement.

25 Q Why would that be the case?

1 A Historically, as can be seen from Exhibit 4,
2 Pennsylvania-American had realized an increasing water
3 level sales amount to Western Allegheny up through the
4 years 1997 and 1998, after which point the sales, as a
5 percentage of the water PAWC was delivering, decreased in a
6 magnitude of 75 to 80 percent.

7 Q That's what I am trying to -- you're supporting
8 my view. I recognize that there's a decrease in 1999 to
9 2002, but based on the numbers that we now have before us
10 which ends in 2002, do you agree with me that the math is
11 correct, that we are talking about an annual loss to PAWC
12 of \$58,662.80 between the sales of 1988 to 1998 and the
13 sales from 1999 to 2002; do you agree with that?

14 A I would agree with the mathematical computation,
15 yes.

16 Q Mr. Grundusky.

17 MR. GADSDEN: Grundusky.

18 MR. ZANGRILLI: Grundusky, I'm sorry. I apologize.
19 I'm not doing this deliberately, I can assure you.

20 BY MR. ZANGRILLI:

21 Q Mr. Grundusky, I want to put before you what has
22 been marked as MATR Hearing Exhibit 12. This is captioned,
23 is it not, Pennsylvania American Water Company Financial
24 Statement, dated December 31st, 2001?

25 A Yes, that is what it states.

1 Q And you, of course, are employed by PAWC, and I
2 want to direct your attention to a page that has been
3 marked as PA-322, and I am going to help you here. It's
4 the second one from the back. This page is captioned
5 Historical Review At And For the Years Ending December
6 31st. Do you see that?

7 A Yes.

8 Q Would you agree with me that if you go down
9 under the column 2001, when we come to water sales in
10 millions of gallons, that according to this exhibit, in the
11 year 2001, Pennsylvania-American Water Company had water
12 sales of 50 billion 711 million gallons; is that correct?

13 A Yes.

14 Q I want to go to another page in this exhibit.

15 A Would you agree with me, and I want to direct
16 your attention to a page PA-309 -- do you see that page?

17 A Yes.

18 Q Would you agree with me that for the year ending
19 December 31st, 2001, the net income of Pennsylvania-
20 American was \$52,830,000; did I read that correctly?

21 A Yes.

22 Q If I do the math, subject to check, if I measure
23 the \$58,000 loss as a percentage of PAWC's net income, that
24 that would represent a figure of approximately one-tenth of
25 one percent; does that make sense to you mathematically?

1 A Subject to check.

2 Q Well, if the loss of one-tenth of one percent
3 would hurt Pennsylvania-American, what do you think a loss
4 of approximately a third of the revenue would do to MATR?

5 MR. GADSDEN: I object to the question. There is
6 no evidentiary foundation that there is a one-third loss to
7 MATR, in addition to which it calls for Mr. Grundusky to
8 speculate over the consequences to MATR and he has
9 absolutely no basis to do that.

10 JUDGE NENE: Is there basis for the premise?

11 MR. ZANGRILLI: Yes, there sure is, Judge. We will
12 be showing, if it hasn't already come into evidence, that
13 WACMA purchased approximately a third of our water and by
14 losing that contract, we are losing a third of our total
15 water sales, translating in to a third.

16 JUDGE NENE: I think you have established one thing
17 here. If you establish the other, you can make that point
18 in argument. I don't think it's appropriate to ask this
19 witness.

20 MR. ZANGRILLI: I move the admission of MATR
21 Hearing Exhibit 12.

22 JUDGE NENE: So marked, and any objection to that?
23 (Whereupon, the document was marked
24 as MATR Hearing Exhibit No. 12 for
25 identification.)

1 MR. GADSDEN: We have no objection.

2 JUDGE NENE: Do we have a copy for the court
3 reporter?

4 MR. ZANGRILLI: I'm sorry. Did I give the Court a
5 copy?

6 JUDGE NENE: No.

7 MR. ZANGRILLI: Sorry, Judge. Let me give you the
8 original. That's the original and two.

9 JUDGE NENE: Okay, thank you. MATR Hearing Exhibit
10 Number 12 will be made a part of the record.

11 (Whereupon, the document marked as
12 MATR Hearing Exhibit No. 12 was
13 received in evidence.)

14 BY MR. ZANGRILLI:

15 Q Mr. Grundusky, I am going to show you what has
16 been marked as MATR Hearing Exhibit 7. I want you to take
17 a minute to look at that.

18 A Okay.

19 (Witness perusing document.)

20 Q Have you had a chance to look at this exhibit?

21 A Yes.

22 Q You would agree with me that this is a letter
23 from you to Phillip Morris, Chairman of WACMA, dated March
24 22, 2003; is that correct.

25 MR. GADSDEN: I would simply note that obviously we

1 did not put the designation Deposition Exhibit down in the
2 lower right hand column portion of this item. I don't know
3 where that came from.

4 MR. ZANGRILLI: That's fine.

5 JUDGE NENE: So noted.

6 BY MR. ZANGRILLI:

7 Q Mr. Grundusky...

8 MR. GADSDEN: Grundusky. I really would appreciate
9 it if the attorney would -- I think it shows a tremendous
10 disrespect for the witness to repeatedly mispronounce his
11 name. His name is Grundusky, G-r-u-n-d-u-s-k-y.

12 MR. ZANGRILLI: I will do my best.

13 JUDGE NENE: I'm sure you are trying.

14 MR. ZANGRILLI: Believe me, I have no desire to in
15 any way do that deliberately for any reason. I will do my
16 best.

17 BY MR. ZANGRILLI:

18 Q Sir, attached to the cover letter is a document
19 which is ten paragraphs in number, called Description of
20 Facilities. Do you see that?

21 A Yes.

22 Q Now, am I correct that these are the facilities
23 that PAWC was required to construct in order to service
24 WACMA pursuant to the water sales agreement date March 28,
25 2003?

1 A These are the facilities PA-American agreed --
2 the new facilities PA-American agreed to construct to
3 provide water service to WACMA.

4 Q Would you agree with me that without these
5 facilities, PAWC would not have been able to adequately
6 provide water to WACMA pursuant to the terms of what we
7 will call the March, 2003 agreement?

8 A Subject to the volume amounts in that agreement,
9 I would agree with that statement.

10 Q Have these facilities been completely
11 constructed as of today?

12 A I do not believe so.

13 MR. GADSDEN: I would note, Your Honor, if we want
14 to pursue this with Mr. Seidl, he's probably in a better
15 position to give us an update on the status of the
16 construction.

17 MR. ZANGRILLI: That's the only question I had.

18 BY MR. ZANGRILLI:

19 Q Would you agree with me that a fair
20 approximation of the cost of these facilities as you
21 described them on Exhibit 7, is approximately \$2.1 million
22 dollars?

23 A Yes.

24 Q And I want to show you what has been marked as
25 MATR Hearing Exhibit 11 and I would like you to take a look

1 at that document.

2 A Okay.

3 (Witness perusing document.)

4 Q Have you seen this document prior to today?

5 A Yes.

6 Q This is a document captioned Pennsylvania-
7 American Water Company, Western Allegheny County Municipal
8 Authority Calculation of Depreciation Expense On New
9 Facilities. Among the data on this exhibit is the total
10 estimated cost of \$2,106,215, which number matches your
11 previous answer that these facilities will cost
12 approximately \$2.1 million dollars; is that correct?

13 A Yes.

14 Q Did you prepare this document?

15 A Yes.

16 MR. ZANGRILLI: Your Honor, I move into evidence
17 MATR Exhibit 11, and I believe I did move in MATR Hearing
18 Exhibit 12. I believe that was admitted.

19 JUDGE NENE: Yes, 12 was admitted. Any objection
20 to Exhibit 11, Mr. Gadsden?

21 (Whereupon, the document was marked
22 as MATR Hearing Exhibit No. 11 for
23 identification.)

24 MR. GADSDEN: No objection.

25 JUDGE NENE: It will be so admitted, MATR Hearing

1 Exhibit Number 11.

2 (Whereupon, the document marked as
3 MATR Exhibit No. 11 was received in
4 evidence.)

5 JUDGE NENE: Has Exhibit 7 been moved?

6 MR. ZANGRILLI: No, that's the one I was looking
7 for. I move the admission of MATR Hearing Exhibit 7 into
8 evidence as well?

9 JUDGE NENE: Any objection to MATR 7?

10 (Whereupon, the document was marked
11 as MATR Hearing Exhibit No. 7 for
12 identification.)

13 MR. GADSDEN: No objection.

14 JUDGE NENE: MATR Hearing Exhibit Number 7 will be
15 made a part of the record.

16 (Whereupon, the document marked as
17 MATR Hearing Exhibit No. 7 was
18 received in evidence.)

19 BY MR. ZANGRILLI:

20 Q Sir, I want to direct your attention to page 6
21 of your direct testimony. Do you have that in front of
22 you?

23 A Yes.

24 Q I want you to look at line 4 through 6 which
25 reads as follows: "We believed that it was likely that

1 WACMA would attempt to negotiate a new agreement sufficient
2 to cover virtually all of its water supply needs."

3 Now, sir, were you familiar with the negotiations
4 between MATR and WACMA that had taken place prior to
5 January of 2003?

6 A Can you quantify familiar? I understood that
7 they were ongoing.

8 Q Were you at all familiar about what the
9 negotiations were in terms of the quantity of water that
10 the parties were negotiating for MATR to provide and WACMA
11 to take?

12 A Not the specific amount, no.

13 Q You had some role in procuring WACMA as a
14 customer of PAWC, didn't you?

15 A I was involved with discussions with WACMA
16 concerning selling water.

17 Q That's part of your job as Manager of Business
18 Development; isn't that correct?

19 A That would be one of the functions I serve,
20 correct.

21 Q In your capacity as working on the negotiations
22 that led up to the Water Supply Agreement between PAWC and
23 WACMA, did you have an opportunity to review any documents
24 between MATR and WACMA pertaining to their negotiations?

25 A Not to my knowledge.

1 Q Did you have an understanding prior to March 28
2 of 2003, which was the date of the execution WACMA/PAWC
3 Water Supply Agreement, that MATR was negotiating to
4 provide 85 percent of WACMA's total water needs?

5 A Again, it was unknown by myself as to the final
6 range of water supply needs or any range of water supply
7 needs that MATR and WACMA were negotiating among
8 themselves.

9 Q Sir, just so that I can fully elicit this
10 testimony, it would be your testimony that you did not know
11 that the most that WACMA wanted to buy from MATR was 75
12 percent of WACMA's total water needs?

13 MR. GADSDEN: I will object to that because there
14 is no foundation for that question.

15 MR. ZANGRILLI: I'm asking if he knew that.

16 MR. GADSDEN: You are asking if he knew that
17 assuming that would be a fact.

18 JUDGE NENE: It's an assumption.

19 MR. ZANGRILLI: Let me rephrase the question.

20 BY MR. ZANGRILLI:

21 Q Did you have any personal knowledge prior to
22 March 28th of 2003 that WACMA only was negotiation to
23 purchase 75 percent of its total water needs from MATR?

24 MR. GADSDEN: I think that's the same question.

25 JUDGE NENE: I think it's the same question, too.

1 Do you have an objection?

2 MR. VUONG: First of all, you are talking about a
3 minimum of 75 percent?

4 MR. GADSDEN: Not how much they could purchase
5 under the contract?

6 MR. ZANGRILLI: That's right, a minimum of 75
7 percent.

8 MR. GADSDEN: No an entitlement, just so we are
9 clear on that.

10 JUDGE NENE: All right.

11 MR. VUONG: I would interject further, I don't know
12 the relevance of that to the issues in this proceeding.
13 Before us are the terms of the Rider DRS. What these
14 negotiations led up to seems to me to be completely
15 irrelevant to that issue.

16 JUDGE NENE: Where are you going with that?

17 MR. ZANGRILLI: I'm testing this assertion that it
18 was believed that it was likely that WACMA would attempt to
19 negotiate a new tariff agreement sufficient to cover
20 virtually all of its water supply needs. That wasn't the
21 case at all.

22 The negotiations were between 75 and 85 percent...

23 MR. GADSDEN: Mr. Zangrilli is testifying now, Your
24 Honor. He is not a witness. All we are trying to do is
25 get information on the record which is not on the record

1 now and which, in fact, is irrelevant because the
2 percentage figures that he's referring to are minimum
3 obligations and not entitlements to which WACMA could buy
4 water.

5 JUDGE NENE: I will let the witness answer the
6 question, but we are not going to go too far on these
7 negotiations between the two companies.

8 MR. ZANGRILLI: I understand and I agree. I want
9 to try to disprove that assertion, that WACMA was not
10 attempting to negotiate a new agreement sufficient to cover
11 virtually all of its water supply needs. It was only
12 negotiating at the 75 percent.

13 JUDGE NENE: You can...

14 MR. ZANGRILLI: That's the point, and then I'm
15 going to ask him one more follow-up question.

16 JUDGE NENE: All right.

17 BY MR. ZANGRILLI:

18 Q Do you want me to repeat the question?

19 MR. VUONG: Your Honor, that's a
20 mischaracterization of the facts and the statement. The
21 question mischaracterizes what is in here and what the
22 facts are.

23 MR. ZANGRILLI: Judge, all my questions -- this is
24 what I am trying to test from this witness. He made an
25 assertion here that it was likely -- and I wanted it

1 stricken, if you will recall.

2 JUDGE NENE: Yes.

3 MR. ZANGRILLI: But, you ruled that I could explore
4 this on cross examination, which I am doing now, because I
5 want to show that WACMA would not attempt to negotiate a
6 new agreement sufficient to cover virtually all of its
7 water needs. They were negotiating for 75 percent minimum.

8 MR. GADSDEN: We are confusing two totally
9 different things here, Your Honor. Mr. Zangrilli is
10 talking about, in effect, an minimum amount that WACMA was
11 willing to buy.

12 That does not go to the question of whether the
13 contract would have, in fact, entitled WACMA to buy a
14 hundred percent of its water needs from Robinson Township,
15 and that is a wholly separate provision of the contract
16 negotiations. One is a minimum, one is a maximum
17 entitlement.

18 So, all we are doing is confusing apples and oranges
19 here and we are getting nowhere.

20 MR. ZANGRILLI: I disagree with that one hundred
21 percent. I don't know how to make it any clearer. WACMA
22 wanted to purchase a minimum of 75 percent. These
23 gentlemen will testify that that's the way they always
24 wanted to play it so that they could go to other providers.

25 The reason that this is important is that MATR was

1 not at all attempting to grab all of WACMA's water, which
2 means there was plenty of water to be available to be
3 purchased by PAWC.

4 MR. GADSDEN: Purchased by PAWC?

5 MR. ZANGRILLI: Sold by PAWC.

6 JUDGE NENE: You can explore that.

7 BY MR. ZANGRILLI:

8 Q So, my question to you, sir, is very simple and
9 I thought it was clear, were you aware that in the
10 negotiations between MATR and WACMA, that WACMA was
11 insisting that it be obligated to purchase a minimum of 75
12 percent of its total need from MATR?

13 A No.

14 Q You are not aware of that; what is the basis of
15 your assertion that WACMA would attempt to negotiate a new
16 agreement sufficient to cover virtually all of its water
17 supply needs?

18 A The basis for that statement was a review of the
19 diminished amounts of water sales that PA-American had
20 experienced since the time of the interconnection of the
21 two systems to the extent that that water was no longer
22 being sold by Pennsylvania-American to WACMA. We believed
23 it was being sold to other providers. Therefore, virtually
24 all of its water supply needs could be covered.

25 Q So, it was a guess by you that in the future,

1 you thought WACMA may not purchase any water from PAWC?

2 A We believed it was a strong likelihood that they
3 would not -- that they would continue to and not possibly
4 purchase any water from Pennsylvania-American.

5 MR. ZANCORILLI: That's all I have, Your Honor.

6 JUDGE NENE: Mr. Vuono, do you have any questions.

7 MR. VUONO: I have no questions.

8 JUDGE NENE: Any redirect, Mr. Gadsden?

9 MR. GADSDEN: I don't think so, Your Honor.

10 JUDGE NENE: Mr. Grundusky, thank you very much.

11 THE WITNESS: Thank you.

12 (Witness excused.)

13 JUDGE NENE: Mr. Gadsden, how long do you think
14 your next witness will take?

15 MR. GADSDEN: You are asking the wrong guy, Your
16 Honor. Can we go off the record?

17 JUDGE NENE: Yes, off the record.

18 (Discussion off the record.)

19 JUDGE NENE: Back on the record.

20 MR. GADSDEN: The company calls as its next
21 witness, Mr. Seidl.

22 Whereupon,

23 STEVEN J. SEIDL

24 having been duly sworn, testified as follows:

25 JUDGE NENE: Just to clarify the record, did we

1 make PAWC Exhibit 1-A, 1-B and 1-C part of the record.

2 MR. GADSDEN: I thought I moved them in at the time
3 of the testimony, Your Honor.

4 MR. ZANGRILLI: And I had no objection.

5 JUDGE NENE: All right, then we will verify that
6 they are part of the record.

7 MR. GADSDEN: Thank you, Your Honor. Mr. Seidl
8 will be sponsoring his direct testimony, which I would ask
9 to have marked for identification at this time as PAWC
10 Statement Number 2.

11 JUDGE NENE: So marked.

12 (Whereupon, the document was marked
13 as PAWC Statement No. 2 for
14 identification.)

15 DIRECT EXAMINATION

16 BY MR. GADSDEN:

17 Q Mr. Seidl, do you have a copy of PAWC Statement
18 Number 2, and if so, does that comprise your direct
19 testimony in this proceeding?

20 A Yes, it does.

21 Q Was it prepared by you or under your direction
22 and supervision?

23 A Yes, it was.

24 Q If I were to ask you the questions set for in
25 Statement 2 today, would your answers be as contained

1 therein?

2 A Yes, they would be.

3 Q Would they be true and correct to the best of
4 your knowledge?

5 A Yes.

6 MR. GADSDEN: Your Honor, at this time, subject to
7 cross examination and timely motions, I would move the
8 admission of PAWC Statement Number 2, and I am going to
9 give two copies to the court reporter.

10 JUDGE NENE: Any objection?

11 MR. ZANGRILLI: No, Your Honor.

12 JUDGE NENE: All right. Subject to cross
13 examination, that document will be made part of the record.

14 (Whereupon, the document marked as
15 PAWC Statement No. 2 was received in
16 evidence.)

17 MR. GADSDEN: Mr. Seidi is available for cross
18 examination.

19 MR. ZANGRILLI: Before we do that, Your Honor, I
20 just want to make sure that just a minute ago, the exhibits
21 that you were confirmed were offered and admitted were PAWC
22 1-A, 1-B, 1-C and...

23 JUDGE NENE: In connection with PAWC Statement 1.

24 MR. ZANGRILLI: Yes, Your Honor.

25 JUDGE NENE: Yes, those four documents are a part

1 of the record.

2 MR. ZANGRILLI: Thank you, Your Honor.

3 CROSS EXAMINATION

4 BY MR. ZANGRILLI:

5 Q Mr. Seidl, I am going to try to better with your
6 name than I did with your predecessor.

7 A You are doing good so far.

8 Q I just have a few questions on your testimony.
9 Let me ask you, on page 2 of your testimony where you say
10 that, "The purpose of my testimony is to address certain
11 factual inaccuracies in the direct testimony of Raymond H.
12 Antonelli," would you agree with me that you could also say
13 that what you are talking about is differences of
14 engineering opinion?

15 A Well, no, I -- no, I believe they are
16 inaccuracies. I don't believe it was a question of
17 judgement or engineering opinion.

18 Q Okay. Let me ask you this question. It says,
19 on line 15 then when you say, "Mr. Antonelli states: 'The
20 hydraulic gradient of the PAWC in the WACMA/Robinson
21 service area is not capable of supplying water to WACMA
22 without the need to continuously pump into the WACMA
23 system;'" do you see that?

24 A Yes.

25 Q And, that is one of the statements that you

1 contend constitutes a factual inaccuracy on the part of
2 Mr. Antonelli; isn't that correct?

3 A That's correct.

4 Q Wouldn't you agree with me that if we are
5 talking here about not capable of supplying water in
6 quantities sufficient for the ordinary and customary
7 operation of a system, such as WACMA, that's really what we
8 are talking about here?

9 A Could you rephrase that question?

10 Q Yes. In other words, what I understand your
11 position to be is that PAWC can certainly provide a water
12 service to the WACMA service area by gravity flow alone?

13 A That would be my position under certain
14 conditions, yes.

15 Q That's correct, but gravity flow is not
16 sufficient to meet the consumptive demands of a system of
17 WACMA on a daily basis, is it?

18 A Well, that isn't what Mr. Antonelli's statement
19 says. Mr. Antonelli's statement doesn't say what you just
20 said.

21 Q All right, but if that statement was changed to
22 simply say it's not capable of supplying water to WACMA
23 given the usual and ordinary consumptive demands, then
24 pumping would be required and his statement would be
25 correct?

1 A You have to restate that because that's quite a
2 complicated statement.

3 Q All right. I will try to break it down a little
4 bit here. Your testimony is that water could flow to all
5 parts of the WACMA system from Pennsylvania-American
6 sources of supply via gravity?

7 A No, that's not my statement.

8 Q It's not your statement?

9 A It's not my statement.

10 Q Is your statement such that pumping is required
11 in order for Pennsylvania-American to supply the WACMA
12 distribution system?

13 A At times.

14 Q And those times would be to fill the tanks?

15 A No, not necessarily. At times the tanks could
16 be filled without pumping; at times they would be filled
17 with pumping.

18 Q What about meeting fire flow pressures?

19 A Fire flow typically is met from storage or from
20 the tanks, as you described.

21 Q Suppose there is no water in the tanks, would
22 you have to pump -- would PAWC have to pump the water into
23 the WACMA system in order to meet fire flow requirements?

24 A First, saying that there's no water in the
25 system, you would have to describe to me why that condition

1 existed.

2 Q Hypothetical, assume there is no water in the
3 tanks.

4 A If there is no water in the tanks, I would say
5 that you have a major problem in your system or you have
6 operated your system inappropriately to have created that
7 condition.

8 Under that circumstance, all of your supply to your
9 customers, whether it's for fire protection purposes or
10 whether it's for domestic purposes and sales to your
11 individual customers, would have to come through your
12 sources of production or your sources of interconnection
13 with other utilities. There's nowhere else for the -- you
14 can't create the water.

15 Q And you would have -- well, we know that. You
16 would to do that by means of pumping?

17 A No, not necessarily.

18 Q Why is Pennsylvania-American spending \$2.1
19 million dollars to put new pumping stations in, these new
20 pumping stations in, to fulfill the terms of the March,
21 2003 agreement?

22 MR. GADSDEN: Could I have just one minute, Your
23 Honor.

24 JUDGE NENE: Yes.

25 MR. GADSDEN: I am going to object to the question

1 because I don't think there is any evidence of record that
2 says we are spending \$2.1 million dollars on pumping
3 stations.

4 JUDGE NENE: Where did you get that, Mr. Zangrilli?

5 MR. ZANGRILLI: Well, Your Honor, he is correct. I
6 am going to narrow it down.

7 BY MR. ZANGRILLI:

8 Q I want to show you what has been marked as MATR
9 Hearing Exhibit 11, which is already into evidence. Have
10 you seen this document prior to today?

11 A No, I haven't.

12 Q But, you heard the prior witness testify that he
13 had prepared this. I want to direct your attention to
14 the...

15 MR. GADSDEN: Excuse me, Mr. Zangrilli, could he
16 have a minute to review it?

17 MR. ZANGRILLI: Sure.

18 (Witness perusing document.)

19 THE WITNESS: Okay.

20 BY MR. ZANGRILLI:

21 Q Sir, do you see under the Eastern Connection
22 section where it says, "install booster station, Pinkerton
23 Road," do you see that item?

24 A Yes.

25 Q I'm correct in my understanding that a booster

1 station is a pumping facility?

2 A That's correct.

3 Q And, the price on that, or the estimated price
4 is \$418,880; is that correct?

5 A That is correct.

6 Q If you go down to the Western Connection, a
7 little beyond halfway down, it says, "install booster
8 station - Route 980," and that's a pump, is it not?

9 A That's correct.

10 Q And, the price tag on that is estimated to be
11 \$342,720; is that correct?

12 A That is what that says.

13 Q So, I stand corrected that the cost of the
14 pumping facilities is not \$2.1 million, but approximately
15 \$700,000?

16 A Approximately, based upon these estimated cost
17 that are shown here.

18 Q My question to you then is why would
19 Pennsylvania American spend almost three-quarters of a
20 million dollars to install pumping facilities if the system
21 could adequately be served by gravity?

22 A First of all, that's not what I said. I did not
23 say that the system could be adequately served by gravity.

24 Q That's all I wanted you to admit.

25 A Not at all times.

1 Q Not at all?

2 MR. CADSDEN: He said "not at all times."

3 THE WITNESS: Not at all times. Please don't mix
4 my words.

5 BY MR. ZANGRILLI:

6 Q I want you to tell me why Pennsylvania-American
7 would spend three-quarters of a million dollars to build
8 pumping facilities to fulfill the terms of its agreement
9 dated March 28th, 2003 with WACMA?

10 A Because under certain conditions and at certain
11 times of operation, pumping could be required in order to
12 provide adequate service under the terms of that agreement.

13 Q I want to direct your attention to the bottom of
14 the page, the last line.

15 A The bottom of which page?

16 Q Page 2.

17 A Page 2 of my testimony?

18 Q Yes.

19 A All right.

20 Q You say in there, "The main gradient is pumped
21 by WACMA to the McKee Road 1.0 million gallon elevated
22 tank." Do you see that?

23 A Yes.

24 Q Would you agree with me that that's either a
25 typo or a mistake, that the gallonage of the McKee Road

1 tank is only a half a million gallons?

2 A That is possible. That would be something I
3 would need to check.

4 Q All right. Where did you get the information
5 that the McKee Road tank was a million gallon tank?

6 A It was information that we had obtained from
7 WACMA, so they would certainly be in a better position to
8 tell you whether it's a half million or a million for sure.

9 Q So, if WACMA were to say later in this
10 proceeding that the tank is really half a million, you
11 would accept that?

12 A I would accept that.

13 Q Just so that the record is clear and consistent,
14 on page 3 at line 7, you say in there, "The portion of the
15 WACMA system at the Noblestown Road gradient was
16 independent from the main gradient until 1998 when WACMA
17 installed an eight-inch water line along Whittengale Road,"
18 and it goes on to describe it. Do you see that?

19 A Yes.

20 Q Again would you agree with me that if WACMA said
21 that that line was installed in 1999 as 1998, you would
22 accede to that and agree with that?

23 A Yes, but let me just point out that what was
24 intended by my statement there was that maybe not until,
25 but through 1998, the gradient was independent. I was not

1 trying to establish an exact date of the interconnection
2 but to establish an approximate time frame at which that
3 gradient was independent as opposed to connected. So, I
4 would accept their date as to the actual specific date that
5 the pipe line was put in service.

6 Q Now look at your testimony on lines 9 through
7 12, beginning with, "This project also included the
8 installation." Please read that sentence to yourself, if
9 you would.

10 A Line 9 through 11?

11 Q Right.

12 (Witness perusing document.)

13 A Okay.

14 Q In layman's terms, sir, would I be correct in
15 describing the phenomenon here as that the pressure coming
16 down from the northern portion of the system into the
17 southern portion had to be retarded in some way, and that's
18 the purpose of a pressure regulating valve?

19 A That's, I think, a general explanation of that,
20 but I would say, though, I wouldn't use that terminology.
21 I would use the terminology I have in my statement that
22 talks about the Noblestown Road gradient.

23 Q All right, and...

24 A Not all the southern portions of their system
25 are necessarily part of the Noblestown Road gradient, so

1 whatever portions of their system are in that gradient,
2 that would be true for.

3 Q The testimony on page 4, you make reference
4 there in line 1 to PAWC's Rocky Ridge Tank. Where is that
5 located specifically; would you be able to tell me where
6 that is located?

7 A I would be able to show you on a system map of
8 our system if you have one that shows all of those
9 locations.

10 Q This will be coming in through another witness.
11 Would it be shown on WACMA's system map?

12 A I would not expect it to be know.

13 Q Maybe you could take a look at it because if we
14 can do it, we will do it.

15 A Okay.

16 Q I am going to show you a document that is called
17 the Western Allegheny County Municipal Authority Water
18 Distribution Map and it's date February, 2003. I will just
19 ask you if you can locate that tank on that map?

20 A No, it could not be located on this map.

21 Q I have one more map that I would like you to
22 look at, and that would be -- this is already in evidence
23 as Exhibit 2 to the direct testimony of Mr. Antonelli, and
24 this is a document called USDS Topographic Map. Would you
25 take a look at it and see whether you could locate it

1 there? This encompasses more territory.

2 A Let me state that this is not the normal method
3 in which we would located and talk about water supply
4 facilities, so any statement I make here is certainly
5 subject to check because this has a lot of other extraneous
6 information that is not necessarily relevant to water
7 supply facilities and the way you would manage and design
8 layouts and map water facilities.

9 JUDGE NENE: We will note that.

10 THE WITNESS: I don't think that from this I could
11 tell you precisely where it is. I can tell you that it is
12 to the east of the WACMA system. That, I can tell you.
13 It's generally to the east of the WACMA system.

14 BY MR. ZANGRILLI:

15 Q In other words, this exhibit that we are looking
16 at, which is Exhibit 2 to Mr. Antonelli's testimony, you
17 could not place or locate that particular tank on this map?

18 A Not with the resources that we have here.
19 Certainly we know where our facilities are and we have maps
20 of our facilities, but this doesn't get me there.

21 Q Is the point being that we need a larger map for
22 you to locate it --

23 A No, no.

24 Q -- or your testimony is that you just can't
25 decipher this particular map to find out where you put it?

1 A That's correct. I would expect it to fall
2 within the area, and given enough time, I could probably
3 figure it out, but we would be here for days.

4 Q Do you know what township it is in, or borough?

5 A I do not know the municipality it's in.

6 MR. ZANGRILLI: That's all I have, Your Honor.

7 JUDGE NENE: Mr. Vuono, any cross examination?

8 MR. VUONO: No questions.

9 JUDGE NENE: Any redirect?

10 MR. GADSDEN: No redirect, Your Honor.

11 JUDGE NENE: Okay, thank you, Mr. Seidl.

12 (Witness excused.)

13 We are going to break for lunch. It's 20 after
14 12:00. We should have an hour for lunch so we will resume
15 in one hour.

16 (Whereupon, at 12:20 p.m., the hearing was
17 adjourned, to reconvene at 1:20 p.m., this same day.)

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A F T E R N O O N S E S S I O N

JUDGE NENE: We are back on the record. I believe you have another witness.

MR. GADSDEN: Your Honor, the company calls as its third and final witness today, Mr. Stout. Whereupon,

WILLIAM M. STOUT

having been duly sworn, testified as follows:

MR. GADSDEN: Your Honor, Mr. Stout will be sponsoring written testimony consisting of a series of questions and answers, which were distributed to you and the parties some time ago. I would ask that at this time Mr. Stout's direct testimony be marked for identification as PAWC Statement Number 3.

JUDGE NENE: So marked.

(Whereupon, the document was marked as PAWC Statement No. 3 for identification.)

MR. GADSDEN: Thank you, Your Honor.

DIRECT EXAMINATION

BY MR. GADSDEN:

Q Mr. Stout, do you have a copy of what has been marked as PAWC Statement Number 3?

A Yes, I do.

Q Was this statement of direct testimony prepared

1 by you or under your direction and supervision?

2 A Yes, it was.

3 Q Do you have any corrections or revisions to
4 Statement Number 3 that need to be brought to our
5 attention?

6 A I have a minor correct on page 3 at line 7. The
7 sentence should end "after United States Tax Court." The
8 words, "on the subject of depreciation" should be struck.

9 Q With that correct, if I were to ask you the
10 questions set forth in Statement Number 3 today, would your
11 answers be as contained therein?

12 A Yes, they would.

13 Q Would they true and correct to the best of your
14 knowledge?

15 A Yes.

16 MR. GADSDEN: Your Honor, at this time I would move
17 the admission of Statement Number 3 pending cross
18 examination and timely motions. I am going to give the
19 court reporter two copies.

20 JUDGE NENE: Subject to cross examination,
21 Statement 3 will be made part of the record.

22 (Whereupon, the document marked as
23 PAWC Statement No. 3 was received in
24 evidence.)

25 MR. GADSDEN: The witness is available for cross.

1 JUDGE NENE: Mr. Zangrilli?

2 THE WITNESS: Your Honor, I have no cross. I would
3 simply move to strike the question and the answer that
4 appears -- strike the answer that appears on page 4
5 beginning on line 8 and ending at line 13, again for the
6 two grounds that this states the ultimate conclusion that
7 is for the Court alone. Secondly, it's based on hearsay in
8 which he says, "My conclusion that Rider DRS is intended to
9 attract sales for resale customers is based on my
10 discussions with company officials at the time."

11 MR. GADSDEN: Again, I don't think Mr. Stout is
12 offering in any way a legal opinion. He is certainly
13 qualified to speak to what the intent of the company was in
14 proposing Rider DRS.

15 As an expert witness, he is certainly entitled to
16 discuss matters relevant to his testimony with company
17 official, and in any event, the hearsay rules have never
18 been strictly applied to PUC proceeding in the first place.

19 JUDGE NENE: Well, it does go to the ultimate
20 issues here, and I don't think we are going to be persuaded
21 on -- make a finding of fact based on this statement. That
22 is the issue that we are going to decide and we will decide
23 it on the basis of the totality of the record. The motion
24 to strike is denied.

25 MR. ZANGRILLI: No cross.

1 JUDGE NENE: Thank you, Mr. Stout.

2 THE WITNESS: You are welcome.

3 (Witness excused.)

4 JUDGE NENE: And we have Statement 3 as part of the
5 record. Mr. Vuono?

6 MR. VUONO: Your Honor, on behalf of the Western
7 Allegheny County Municipal Authority, I would like to call
8 Mr. Morris.

9 JUDGE NENE: All right. I just want to make sure
10 that Mr. Gadsden has nothing further.

11 MR. GADSDEN: We have nothing further, Your Honor.

12 (Witness excused.)

13 JUDGE NENE: All right.

14 MR. VUONO: And we would call Mr. Morris.

15 Whereupon,

16 PHILLIP W. MORRIS, SR.

17 having been duly sworn, testified as follows:

18 MR. VUONO: Your Honor, I would ask that we mark
19 for identification, a multi-page document of the direct
20 testimony of Phillip W. Morris, Sr., as WACMA Exhibit 1.
21 You will note that there are attached to that document four
22 similarly number exhibits.

23 JUDGE NENE: WACMA Number 1?

24 MR. VUONO: Yes.

25 JUDGE NENE: So marked.

(Whereupon, the document was marked
as WACMA Exhibit No. 1 for
identification.)

MR. ZANGRILLI: Your Honor, may I ask Mr. Vuono a
question, please?

JUDGE NENE: Yes.

MR. ZANGRILLI: Mr. Vuono, this is the identical
direct testimony that had been filed earlier and served on
us?

MR. VUONO: Yes, sir.

MR. ZANGRILLI: Thank you.

DIRECT EXAMINATION

BY MR. VUONO:

Q Mr. Morris, do you have before you what has been
marked for identification as WACMA Exhibit 1?

A Yes.

Q Is that a true and correct copy of the direct
testimony that you previously completed and filed in this
case and you are presenting as your direct testimony today?

A Yes.

Q Was that statement prepared under your direction
and your authority?

A Yes.

Q Are the statements contained therein true and
correct?

1 A Yes.

2 MR. VUONG: You may cross examine.

3 JUDGE NENE: Mr. Zangrilli?

4 MR. ZANGRILLI: Yes, Your Honor.

5 CROSS EXAMINATION

6 BY MR. ZANGRILLI:

7 Q Mr. Morris, would you agree with me that
8 discussions between WACMA and PAWC with respect to the
9 negotiation of what ultimately was the March 28 Water
10 Supply Agreement, began in some time in January of 2003?

11 A Could you repeat that?

12 Q Sure. Would you agree with me that the
13 discussions with PAWC with respect to PAWC supplying water
14 to WACMA began in January, 2003?

15 MR. VUONG: Does that question encompass
16 preliminary discussion, are you asking him about the very
17 first contact?

18 MR. ZANGRILLI: I think the question is valid.

19 JUDGE NENE: When did it begin?

20 MR. ZANGRILLI: Yes.

21 THE WITNESS: I would say, to the best of my
22 knowledge, I know, like I stated earlier, we did have
23 relations with them, relationships and meetings.

24 JUDGE NENE: When you say earlier, are you
25 referring to a statement in here? There is nothing earlier

1 on the record.

2 THE WITNESS: Okay.

3 MR. VUONO: You are referring to your deposition;
4 is that correct?

5 THE WITNESS: Yes.

6 JUDGE NENE: Okay.

7 THE WITNESS: In my deposition, I did say that we
8 did have communications with them through the years.

9 BY MR. ZANGRILLI:

10 Q Didn't they begin with a great deal of intensity
11 in January of 2003 when WACMA felt that they were not going
12 to be able to strike a deal with MATR?

13 A You mean Pennsylvania-American?

14 Q Yes.

15 A Yes, they moved very quickly.

16 Q No, no. Didn't the negotiations with
17 Pennsylvania-American being in earnest when WACMA felt that
18 they were not going to be able to reach an agreement with
19 MATR?

20 A That's when I would say they -- I don't know
21 what word to use, but that was the aggressive, yes.

22 Q That's right. You felt, did you not, that you
23 were well on your way -- WACMA was well on its way to
24 agreement with MATR up until December 19th; isn't that
25 correct?

1 A Yes, I'm sure -- yes.

2 Q At that point in time, there were really only
3 two issues that had to be resolved, and those two issues
4 were, one, what was the minimum purchase requirement, and
5 number two, what was the length of the agreement going to
6 be; is that accurate?

7 A Yes, because we were pretty comfortable with the
8 rate at that time, but Dave is more aware of that than
9 myself.

10 Q Exactly, and...

11 MR. VUONG: Do you mean Dave Nichols?

12 THE WITNESS: Yes, our engineer, yes.

13 BY MR. ZANGRILLI:

14 Q WACMA really wanted to have a term in the
15 agreement with MATR that would have obligated WACMA to take
16 75 percent of its water from MATR; is that correct?

17 A Yes, I believe so.

18 Q And, WACMA wanted the agreement with MATR to
19 last 20 years; isn't that correct?

20 A Yeah, at first we wanted 15.

21 Q And then eventually you moved up to 75.

22 MR. VUONO: Do you mean 20?

23 MR. ZANGRILLI: Pardon me?

24 MR. VUONO: Move up to 20?

25 MR. ZANGRILLI: Yes.

1 THE WITNESS: No, but we were at 75, is what we
2 wanted.

3 BY MR. ZANGRILLI:

4 Q We are confusing -- I am, I confess. We are
5 confusing the duration of the proposed agreement with the
6 minimum quantities of water.

7 A Okay.

8 Q In terms of the minimum quantities of water,
9 WACMA really came to the table initially with a request
10 that MATR supply WACMA with 50 percent; isn't that correct?

11 A Yes.

12 Q Then in the process of negotiations, you moved
13 up to 75 percent; correct?

14 A Yes.

15 Q With respect to the length of the proposed
16 agreement, it's my understanding that WACMA originally
17 wanted a 15-year agreement and then you were prepared to go
18 to a 20-year agreement towards the latter stages of the
19 negotiations; is that correct?

20 A Yes.

21 Q So that after the December 19 of 2002 meeting,
22 WACMA then sought out Pennsylvania American to enter into
23 negotiations about Pennsylvania-American becoming the water
24 supplier; is that correct?

25 A Yes, we got aggressive, put it that way, in

1 looking for another source.

2 Q Isn't it accurate that the policy of the WACMA
3 board is that you did not want any one supplier to be your
4 one hundred percent water supplier?

5 A Yes, no matter who it was, not just Robinson.

6 Q When I took your deposition, I asked you whether
7 or not you thought that Pennsylvania-American Water Company
8 could meet WACMA's needs without the construction of new
9 facilities, and the facilities that I am talking, so that
10 we are clear, are the facilities that I talked about with
11 some of these witnesses earlier this morning. Do you
12 remember those?

13 A Yes.

14 Q So, my question is, in the course of your
15 negotiations, was it your belief that PAWC could not have
16 met WACMA's needs without the additional three facilities
17 being constructed?

18 A That would be my belief, yes.

19 Q We talked about the construction of a 12-inch
20 water line; do you remember that, we called it the Lowes
21 water line or the Lowes interconnect?

22 A Okay, Lowes interconnect, yes.

23 Q That line has been constructed; is that correct?

24 A Yes.

25 Q It is operational; is that correct?

1 A Yes, it is.

2 Q Is it not correct that that is the principal
3 feed between MATR and WACMA?

4 A I would have to refer that to our engineer.

5 Q Okay. Would you agree with me that the Tonydale
6 interconnect is used only in emergency situations or
7 conditions?

8 A That again I would have to relate to Dave. I'm
9 not really sure.

10 Q I want to show you what has been marked as MATR
11 Hearing Exhibit 11-A.

12 MR. ZANGRILLI: I am going to give the court
13 reporter two copies.

14 JUDGE NENE: So marked.

15 (Whereupon, the document was marked
16 as MATR Hearing Exhibit No. 11-A for
17 identification.)

18 BY MR. ZANGRILLI:

19 Q Would you agree with me that -- take a minute to
20 look at it.

21 (Witness perusing document.)

22 A Okay.

23 Q That this is the agreement between Western
24 Allegheny County Municipal Authority and West Penn Water
25 Company dated August 28 of 1957?

1 A Yes, that's the way it reads here.

2 Q And you are familiar with this agreement; is
3 that correct?

4 A Not really I'm not, no.

5 Q Have you seen this agreement prior to today?

6 A It's be a while.

7 Q But, you have seen it in the past?

8 A Uh-huh.

9 Q Would you be able to answer the question, is
10 this the agreement pursuant to which PAWC provided water to
11 WACMA from 1957 up until today?

12 A I couldn't answer that.

13 Q You could not?

14 A No.

15 Q You would agree with me, Mr. Morris, that MATR,
16 at least in the latter stages of the negotiations, never
17 demanded to provide in excess of 85 percent of WACMA's
18 water needs?

19 MR. VUONG: Your Honor?

20 JUDGE NENE: Yes.

21 MR. VUONG: May I inquire as to, when you latter
22 stages, what are you talking about?

23 MR. ZANGRILLI: To the year 2002.

24 THE WITNESS: That they wanted to supply us more
25 than 85 percent, is that the statement you are making?

1 BY MR. ZANGRILLI:

2 Q Right.

3 A Not that I am aware of.

4 Q Did I ask you the question that with respect to
5 the rate by which MATR has proposed to sell its water in
6 the new agreement, that there was fundamental agreement
7 between the two authorities on the rate and the methodology
8 by which the rate was computed?

9 A From my understanding as a board member, it was
10 -- between our engineer and Robinson's engineer it was
11 pretty close.

12 Q Pretty close?

13 A Yes, that's about all I can say really on it.

14 Q Do you recall signing the affidavit to the WACMA
15 application for a water allocation permit earlier this
16 year?

17 A I don't recall.

18 MR. ZANGRILLI: That will conclude my cross
19 examination.

20 THE WITNESS: I just want to make one statement
21 since this is informal...

22 MR. VUONG: There's nothing pending, no question
23 pending.

24 THE WITNESS: Oh, okay.

25 MR. VUONG: I would move the admission of WACMA

1 Exhibit 1 into the record.

2 JUDGE NENE: Does anyone else have any questions?

3 MR. GADSDEN: I have no questions.

4 (Witness excused.)

5 JUDGE NENE: The statement of Mr. Morris has been
6 identified as WACMA Exhibit 1 and it will be made part of
7 the record.

8 (Whereupon, the document marked as
9 WACMA Exhibit No. 1 was received in
10 evidence.)

11 MR. VUONO: Thank you, Your Honor.

12 MR. GADSDEN: Just as a point of clarification,
13 WACMA Exhibit 1 incorporates Exhibits Morris 1 through 4?

14 MR. VUONO: That's correct.

15 JUDGE NENE: They are attached?

16 MR. VUONO: They are attached. I made that
17 statement earlier, Your Honor.

18 JUDGE NENE: Okay.

19 MR. VUONO: I would call as witness, David Nichols.

20 MR. GADSDEN: Has this been moved, 11-A?

21 MR. ZANGRILLI: If no one objects, I would like to
22 move the admission of MATR Hearing Exhibit 11-A.

23 JUDGE NENE: Any objection?

24 MR. VUONO: Only a comment, Your Honor. In the
25 back of my head, I think there has been an amendment to

1 that agreement, maybe more than one. I have no objection
2 subject to my right to supplement the record if, in fact,
3 that's -- and you would want a complete document anyway,
4 wouldn't you?

5 MR. ZANGRILLI: That's fine, Your Honor.

6 JUDGE NENE: Subject to that, you will send us a
7 copy of that. If you do have an amendment, make them
8 sequential to 11-A.

9 MR. VUONO: That will be 11-B.

10 MR. ZANGRILLI: No.

11 JUDGE NENE: Let's do it that way.

12 MR. VUONO: Very good.

13 JUDGE NENE: Subject to that, 11-A will be made
14 part of the record.

15 (Whereupon, the document marked as
16 MATR Hearing Exhibit No. 11-A was
17 received in evidence.)

18 MR. VUONO: Mr. Nichols.

19 Whereupon,

20 DAVID G. NICHOLS

21 having been duly sworn, testified as follows:

22 MR. VUONO: Your Honor, would you please mark for
23 identification as WACMA Exhibit Number 2, a multi-page
24 document bearing the cover sheet that says Direct Testimony
25 of David G. Nichols?

1 JUDGE NENE: So marked.

2 (Whereupon, the document was marked
3 as WACMA Exhibit No. 2 for
4 identification.)

5 DIRECT EXAMINATION

6 BY MR. VUONO:

7 Q Mr. Nichols, do you have before you what has
8 been marked for identification as WACMA Exhibit 2?

9 A I do.

10 Q Is that a true and correct copy of the testimony
11 that you are presenting in this proceeding on behalf of
12 WACMA?

13 A Yes.

14 Q Was this testimony prepared with your authority
15 and at your direction?

16 A It was.

17 MR. VUONO: You may cross examine.

18 JUDGE NENE: Mr. Zangrilli?

19 MR. VUONO: I'm sorry, Your Honor.

20 BY MR. VUONO:

21 Q I didn't ask you, is it true and correct?

22 A Yes, it is.

23 CROSS EXAMINATION

24 BY MR. ZANGRILLI:

25 Q Mr. Nichols, so that the record is clear, I want

1 to show you what has been marked as MATR Hearing Exhibit 6.
2 This is the water distribution map of the Western Allegheny
3 County Municipal Authority prepared by your engineering
4 firm; is that correct?

5 A That's correct.

6 Q There's a date of February, 2003 with a plot
7 April 1st, 2003; is that correct?

8 A That's correct.

9 Q And the plot date just means, in layman's terms,
10 the date that the drawing was generated or printed?

11 A That's correct.

12 Q This document is true and accurate of the system
13 as of the print date or the plot date?

14 A Yes.

15 Q Just so we can confirm our understanding, there
16 was some testimony earlier about the construction of the
17 Whittengale line. Do you remember that testimony?

18 A Yes, I remember.

19 Q Is it accurate to say that the Whittengale line
20 from fundamentally from the point on the drawing marked
21 Point A to the point on the drawing marked Point B?

22 A Yes it does.

23 Q You agree, I think, the earlier testimony that
24 this was constructed in early 1999?

25 A It was constructed in 1998 and operational in

1 the beginning of 1999, I believe.

2 Q Fair enough, and the pressure reducing valve
3 that we had talked about earlier, that's indicated here as
4 PRV-2; is that correct?

5 A That's correct.

6 Q We had talked also about gradients with the
7 WACMA system, and is this accurate, there is a notation
8 here, Noblestown, Champion Hills service area, and it's
9 marked with a circle to sort of call out the area on the
10 map. Is that the Noblestown gradient?

11 A It's outlined. It's not exactly in the shape of
12 a circle.

13 Q I stand correct. That's correct. It's a -- the
14 line encircles the area called the Noblestown, Champion
15 Hills gradient; is that correct?

16 A That's correct.

17 Q Then the second gradient in the WACMA would be
18 the gradient that I think you call the Point; is that
19 correct, or the Commercial District?

20 A Commercial District.

21 Q Let's call it the Commercial District, and you
22 have that so indicated on the exhibit?

23 A Yes, those are things I wrote on during my
24 deposition in your office.

25 Q Incidentally, you would agree with me that the

1 McKee tank is a half-million gallons storage tank and not a
2 million?

3 A It is a half-million gallons.

4 Q Is it accurate then to say that the third
5 gradient of the WACMA system would be everything other than
6 the Commercial District gradient and the Noblestown,
7 Champion Hill service area gradient?

8 A Yes.

9 Q Mr. Nichols, I had asked an earlier witness
10 about the reason for the pressure reducing valve number 2
11 that is close to Point B on the Whittengale line, and I
12 asked him, I said, in layman's terms, is the purpose of the
13 pressure reducing valve to prevent the rush of water coming
14 down the Whittengale line to the southeast and sort of
15 overwhelming the water pressure that would be generated in
16 Noblestown, Champion Hill gradient?

17 A It would be to control the pressure in the
18 Noblestown, Champion Hill service area.

19 Q Without that pressure reducing valve, would the
20 water coming down the line force the water in the
21 Noblestown, Champion Hill gradient back?

22 A It would be primary source of water to that
23 area. It would be the exclusive source if was left
24 uncontrolled.

25 Q In your testimony that you filed here with the

1 PUC, I think you testified as to the reasons why the
2 Whittengale line was constructed. It's on page 6. The
3 question was put to you, "Why was the interconnection
4 built?" Your answer was, "The interconnection was built to
5 improve reliability of service to a growing area in North
6 Fayette Township and to extend service to existing houses
7 along Whittengale Road." I read that correctly, did I not?

8 A Yes, you read it correctly.

9 Q Wouldn't be accurate to say then in addition to
10 those reasons, that another reason for that interconnect
11 was to provide a backup supply to the Noblestown gradient?

12 A Yes, that's what -- wher. I said improve
13 reliability of service, part of improving is to have a
14 standby source.

15 Q Is it accurate to say that in the operation of
16 the WACMA system, that there would be energy required, from
17 whatever source derived, to push water from Point B to
18 Point A on the Whittengale line?

19 A (No response.)

20 Q Am I making sense?

21 A I'm not sure what...

22 Q Let me ask it in another way.

23 A Point A is higher than Point B, so to make the
24 water move in a direction uphill, it would require energy
25 of some sort.

1 Q Is it accurate to say that the water is supplied
2 to WACMA's customers north of Point B only in very unusual
3 circumstances?

4 A The water is supplied to people north of Point B
5 on Whittengale road continuously under all circumstances.

6 Q How about north of Point A?

7 A It's part of the distribution that operates
8 continuously.

9 Q So, your testimony is that there is a continuous
10 feed from Point B to Point A and...

11 A No, that wasn't what I stated.

12 Q That's what I want to explore. What did you
13 say?

14 A I stated that there is service between Point A
15 and Point B continuously.

16 Q That's right. That water, though, would come
17 from the northern gradients down to service the homes and
18 customers along the Whittengale line?

19 A The source of the water would be from North
20 Branch Road coming down along Whittengale toward Oakdale.

21 Q That's correct. That's what I thought you said.
22 How about the reverse; rarely is water sent from Point B up
23 Whittengale Road to Point A to service customers?

24 A Right, that would be an extraordinary condition,
25 if we had a line break or something, we could allow it to

1 proceed in that direct, but it wouldn't happen routinely.

2 Q Mr. Morris deferred to you on the two
3 interconnects between MATR and WACMA. I think you have
4 identified those on the WACMA system map, and you've got
5 one circled and marked with a T, and that's the Tonydale
6 interconnect; is that correct?

7 A That's correct.

8 Q Then the one that is circled and marked with a
9 capital L, that's what is called the Lowes interconnect; is
10 that correct?

11 A That's correct.

12 Q Was I accurate in my statement that the Tonydale
13 interconnect is seldom used or only used as a backup, but
14 the principal interconnect in terms of feeding water from
15 MATR to WACMA is done through the Lowes interconnect?

16 A I believe both interconnects are opened and
17 energized at all times. Most of the flow just happens to
18 go through the Lowes connect because it's a 12-inch main
19 connecting that.

20 Q And, you can take more water that way?

21 A Right.

22 Q This may be in your testimony, but if it isn't,
23 the overflow elevation of WACMA's tanks is 1,372 feet; is
24 that correct?

25 A That's correct.

1 Q And the elevation of the two Santiago stand
2 pipes and the McKee Road tank are identical?

3 A Yes.

4 Q Would you define for the record, the term,
5 hydraulic gradient?

6 A I will attempt to. A hydraulic gradient would
7 represent the elevation of the water if you built a
8 vertical stand pipe from the main in the ground up to the
9 level in which it would rest. If we tapped a water line
10 that was five foot underground and allowed the water to go
11 vertically to the point where it would climb no higher,
12 that would be the elevation of the hydraulic gradient.

13 Q I want to direct your attention to the
14 interconnect between WACMA and Pennsylvania-American. That
15 is shown on your drawing, printed here, Connection to West
16 Penn Water System, and that's marked with a circle,
17 correct?

18 A Yes.

19 Q And, West Penn Water System was a predecessor to
20 Pennsylvania-American?

21 A That's correct.

22 Q Is it your understanding that Pennsylvania
23 American provides water to WACMA pursuant to an exhibit
24 that I think was Exhibit 11-A; I will show that to you.

25 A Okay.

1 Q Is that correct?

2 A To the best of my knowledge, that was the
3 initiation of the supply from Pennsylvania-American to
4 Western Allegheny. Whether there are subsequent amendments
5 to this, I'm not aware of that. This agreement predated my
6 involvement by a few years.

7 Q In other words, there may be a supplemental,
8 you're not sure?

9 A Right.

10 Q Do you specifically recall any supplement?

11 A I can't recall whether there is or isn't. It's
12 not a matter I researched.

13 Q If there were supplements, they certainly would
14 have appeared in WACMA's application for a water allocation
15 permit that was filed with DEP?

16 A I would expect...

17 MR. VUONO: Not necessarily if we didn't know about
18 it.

19 MR. ZANGRILLI: That's my question.

20 BY MR. ZANGRILLI:

21 Q You are saying you don't know whether there are
22 any supplements to that agreement?

23 A That's my position.

24 Q You would agree with me, would you not, that
25 regardless of whether MATR is the major supplier to WACMA

1 or PAWC is the major supplier to WACMA through its new
2 facilities, that both systems require pumping so that the
3 WACMA system can be operated in a normal and customary
4 fashion producing water for consumers?

5 A Yes, that would be my position. Both systems
6 require supplemental pumping or booster pumping within our
7 WACMA system.

8 Q Would it also be your position that the
9 Whittengale interconnect line that we talked about here
10 would not be adequate to permit PAWC to fulfill its
11 obligations under the Water Supply Agreement dated March
12 28th, 2003; is that correct?

13 A Not in its current situation, no, not without
14 making changes to it, obviously.

15 Q You would have to make changes there or
16 alternatively do what PAWC did, which was to build the
17 three axillary facilities to serve your system, correct?

18 A Correct.

19 Q Mr. Morris, I believe, testified that he thought
20 that the engineers had agreed in principle with the rates
21 to be charged in the proposed -- the MATR/WACMA water
22 agreement. Would you agree with that?

23 A If I recall, the discussions and communications
24 were primarily between myself and the manager at Robinson,
25 and the engineer. I don't know that -- in the final form,

1 it was certainly discussions I had with Mr. Lenze as
2 opposed to Mr. Antonelli, but I presume the input on
3 getting the model that was presented had engineering
4 involved in it as well, but it was satisfactory in its last
5 presentation from my perspective.

6 Q Both as to rate and methodology?

7 A Yes.

8 Q Computation of the rate?

9 A (Nodding.)

10 JUDGE NENE: Yes?

11 THE WITNESS: Yes.

12 MR. ZANGRILLI: Your Honor, I believe that's all I
13 have.

14 JUDGE NENE: Mr. Gadsden, do you have any
15 questions?

16 MR. GADSDEN: I don't have any questions, Your
17 Honor.

18 JUDGE NENE: Redirect?

19 MR. VUONO: No redirect, and I would offer WACMA
20 Exhibit 2.

21 (Witness excused.)

22 MR. ZANGRILLI: No objection.

23 MR. GADSDEN: No objection.

24 JUDGE NENE: WACMA Exhibit 2 will be made part of
25 the record.

1 (Whereupon, the document marked as
2 WACMA Exhibit No. 2 was received in
3 evidence.)

4 MR. VUONG: Thank you, Your Honor.

5 JUDGE NENE: What about MATR Exhibit 6?

6 MR. ZANGRILLI: I would like to move the admission,
7 if they haven't already been admitted, MATR Hearing Exhibit
8 6 and MATR Hearing Exhibit 11 A.

9 JUDGE NENE: Exhibit 11-A is part of the record.
10 Any objection to Exhibit 6?

11 (Whereupon, the document was marked
12 as MATR Hearing Exhibit No. 6 for
13 identification.)

14 MR. GADSDEN: I have no objection. Could we go off
15 the record a second?

16 JUDGE NENE: As soon as put this into the record.
17 MATR Hearing Exhibit 6 will be made part of the record, and
18 we will go off the record.

19 (Whereupon, the document marked as
20 MATR Hearing Exhibit No. 6 was
21 received in evidence.)

22 (Discussion off the record.)

23 JUDGE NENE: Back on the record. What are we going
24 to do?

25 MR. ZANGRILLI: Your Honor, that concludes MATR's

1 case with one exception. I would like to offer into
2 evidence and move the admission of MATR Hearing Exhibit 14,
3 which is the Pennsylvania-American Water Company tariff,
4 portions of the tariff. This should not be objectionable
5 as attached to the complaint. It may have been admitted. I
6 think the Commission could take judicial notice of the
7 tariff, but of course I did want it in the record.

8 JUDGE NENE: No one objects to this, do they?

9 MR. GADSDEN: Could I just take a second to look at
10 it?

11 JUDGE NENE: Of course.

12 (Counsel perusing document.)

13 MR. VUONO: I am assuming this is a complete
14 version of the Supplement 139 in its entirety?

15 MR. ZANGRILLI: I can't represent that. Judge, to
16 make it easy, if either counsel want to supplement what we
17 have here with additional provisions of the tariff, I have
18 no objection.

19 JUDGE NENE: All right. I think that would
20 probably fall to Mr. Gadsden to...

21 MR. GADSDEN: Yes, I am trying to figure this out.
22 It says it was filed in compliance with an A Docket order
23 entered in February of 2000, but it's got an issuance date
24 of April of 2003. I don't know what this is.

25 I mean, we certainly don't have any objection to

1 including the record excerpts from our tariff which set
2 forth current rates and the terms of the Rider DRS, which I
3 think -- I believe that tariff sheet is already in there.
4 I'm not quite sure what the final page is and if that's
5 extracted from the definition section of the tariff.

6 Let me take a look at this and get in touch with
7 Mr. Zangrilli if there is any problem. With that
8 understanding, we are amenable to admitting it today.

9 JUDGE NENE: Okay, that will be admitted as it is
10 and subject to modifications or additions later.

11 (Whereupon, the document was marked
12 as MATR Hearing Exhibit No. 14 for
13 identification and was received in
14 evidence.)

15 MR. ZANGRILLI: Thank you, Your Honor.

16 JUDGE NENE: And we are going to leave the
17 possibility open, as we said, for the contract, 11-A, for
18 an amendment, and that will be 11-B if it is received.

19 That concludes the presentations, and I understand
20 that the schedule for briefing has already been agreed
21 upon. Is there anything else that we should address?

22 MR. ZANGRILLI: It's our understanding that the
23 transcript will be expedited.

24 JUDGE NENE: The court reporter agrees with that,
25 and that will conclude today's hearing.

1 MR. ZANGRILLI: Thank you, Judge.

2 MR. VUONG: Thank you, Your Honor.

3 MR. GADSDEN: Thank you, Your Honor.

4 JUDGE NENE: Thank you all.

5 (Whereupon, at 2:08 p.m., the hearing was adjourned.)

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9 C E R T I F I C A T E

10 I hereby certify, as the stenographic
11 reporter, that the foregoing proceedings were reported by
12 me and thereafter reduced to typewriting by me or under my
13 direction; and that this transcript is a true and accurate
14 record to the best of my ability.

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF THE:
TOWNSHIP OF ROBINSON,

Complainant - Petitioner,

vs.

PENNSYLVANIA AMERICAN WATER
COMPANY,

Respondent.

No. C-20030092

TRANSCRIPT OF DIRECT TESTIMONY OF ANTHONY THOMAS LENZE,
taken in the above-entitled matter, stenographically taken by
William Schock, Court Reporter, at 2:00 p.m., Thursday,
October 9, 2003, at the law offices of Yukevich, Marchetti,
Liekar & Zangrilli, 11 Stanwix Street, Suite 1024,
Pittsburgh, Pennsylvania 15222.

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EXHIBIT

MATR HEARING

1

APPEARANCES:

ALBERT J. ZANGRILLI, ESQ., Yukevich,
Marchetti, Liekar & Zangrilli, 11 Stanwix Street, Suite 1024,
Pittsburgh, Pennsylvania 15222, appearing on behalf of the
Complainant-Petitioner.

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Q. Would you state your full name, please?

Q. Mr. Lenze, are you employed?

Q. And by whom are you employed?

Q. And in what capacity are you so employed?

Q. When did you commence your employment with The
Municipal Authority of the Township of Robinson?

Q. Mr. Lenze, in this examination I'm going to refer to The Municipal Authority of the Township of Robinson as MATR.

A. I assure that MATR provides excellent customer service. I negotiate contracts, administer agreements, obtain permits, supervise personnel, submit governmental reports, analyze data and author communications.

1 Q. Do you oversee, as part of your duties, the
2 preparation and execution of Developer Agreements?

3 A. I actually develop the Developer Agreements at the
4 Authority based on form documents that have been
5 given to me by the Authority's Solicitor and
6 administer those agreements.

7 Q. In your capacity as Executive Director of MATR are
8 you the custodian of MATR's books and records?

9 A. Yes, I am.

10 Q. Would you please state your educational background?

11 A. I'm a 1970 graduate of Munhall High School. I
12 graduated from Indiana University of Pennsylvania
13 with a Bachelor of Science Degree in Regional
14 Planning in 1974, where I also took credits towards a
15 Master of Business Administration; however, I did not
16 complete that program.

17 Q. After you graduated from college where were you first
18 employed in the municipal sector?

19 A. Well, my first job was with the Pennsylvania
20 Department of Community Affairs.

21 Q. And for how long were you employed there?

22 A. About six months.

23 Q. And what was your job description or, alternatively,
24 your duties?

25 A. I was a Planning Analyst for the Department, and I

1 reviewed zoning ordinances for whether or not there
2 would be exclusionary zoning practices. I also
3 administered the National Flood Insurance Program in
4 a nine-county area out of the Pittsburgh Regional
5 Office.

6 Q. And what nine counties would those be?

7 A. Allegheny, Armstrong, Washington, Beaver, Butler,
8 Westmoreland, Fayette, Greene and Indiana.

9 Q. After that employment where were you employed?

10 A. I was employed by the Indiana County Planning
11 Commission.

12 Q. And for how long did you serve in that capacity?

13 A. I was there for three years.

14 Q. And what were your duties there?

15 A. I was the County Subdivision and Zoning Officer, and
16 I would conduct special studies for the Planning
17 Commission on transportation issues. I also
18 administered the County's sewage enforcement agency,
19 and for a period of time I served as the County
20 Planning Director.

21 Q. And for how long would you have served as the County
22 Planning Director?

23 A. For approximately nine months.

24 Q. After that employment where were you employed?

25 A. I was employed as the Borough Manager of The Borough

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1 A. Yes, we did.

2 Q. Who was that customer?

3 A. The customer was the Indiana County Municipal

4 Services Authority.

5 Q. Was the sale of water from the Central Indiana County

6 Water Authority to the purchasing Authority governed

7 by a written contract?

8 A. Yes, it was.

9 Q. Did you negotiate that contract?

10 A. Yes, I did.

11 Q. What was the term of the contract?

12 A. I don't recall the precise term of the contract, but

13 I'm relatively certain it was longer than ten years.

14 Q. Mr. Lenze, after you concluded your employment as the

15 Borough Manager of the Homer City Borough where were

16 you next employed?

17 A. I was employed by the Municipal Sewer and Water

18 Authority of Cranberry Township.

19 Q. And in what capacity?

20 A. I was the General Manager for the Authority.

21 Q. Would you briefly describe the size of the territory

22 serviced by that Authority, and I'm talking about in

23 square miles or in terms of the municipalities

24 serviced?

25 A. Well, the Authority served the 25 square miles of

Cranberry Township, and it was a very fast-growing municipality. I started there in 1988, and we averaged around 350 residential units a year that were being built through the twelve years I was there.

Q. Mr. Lenze, let's refer to the Municipal Sewer and Water Authority of Cranberry Township simply as the Cranberry Authority.

A. That's fine.

Q. And when were you first employed by the Cranberry Authority?

A. In 1988.

Q. Were you the first Manager?

A. No.

Q. And for how long did you work for the Cranberry Authority?

A. Twelve years.

Q. Were your duties for the Cranberry Authority similar to or different from your duties as Executive Director of MATR?

A. Similar to.

Q. Okay. Were there any major differences in your job duties between the two authorities?

A. No.

Q. Did the Cranberry Authority distribute water to end

1 users?

2 A. Yes.

3 Q. Did the Cranberry Authority have any contracts for
4 the bulk sale of water to other bulk consumers of
5 water?

6 A. No.

7 Q. Now, how did the Cranberry Authority obtain its
8 water?

9 A. All of the water supplied to the Authority and the
10 Cranberry Township obviously was supplied by The
11 Municipal Authority of the Borough of West View.

12 Q. Was that relationship between the Cranberry Authority
13 and what I will call the West View Authority governed
14 by a written contract?

15 A. Yes, it was.

16 Q. Do you know the duration of that contract?

17 A. During my twelve years there the contract came up for
18 renewal one time in 1997.

19 Q. Did you negotiate the terms and conditions of the
20 renewal on behalf of the Cranberry Authority?

21 A. Yes, I did.

22 Q. And I assume that an agreement was subsequently
23 negotiated and executed by the two authorities?

24 A. That's correct.

25 Q. What was the term of the agreement that was

1 renegotiated in 1997?

2 A. Twenty years.

3 Q. Do you recall whether or not there was a formula for
4 the fixing of rates under the Cranberry/West View
5 agreement?

6 A. There was not a formula for rates.

7 Q. How were the rates established?

8 A. The rates were established pursuant to rate studies
9 that would be conducted by West View from time to
10 time.

11 Q. Do I understand your testimony to say that there was
12 no negotiation of a rate formula but rather West View
13 assigned a rate and that was what it was expected to
14 be?

15 A. That's correct.

16 Q. Mr. Lenze, I would like to ask you some questions
17 about MATR.

18 Approximately how many residential customers does
19 MATR serve?

20 A. Approximately 3900.

21 Q. And approximately how many commercial customers would
22 MATR have?

23 A. 600.

24 Q. Now, excluding the contract to supply water to the
25 Western Allegheny County Municipal Authority, which

1 I'm going to refer hereafter as WACMA, does MATR have
2 any bulk sales contracts with any other
3 municipalities of authorities?

4 A. Yes.

5 Q. Which authorities or municipalities?

6 A. An actual every-day Bulk Sale Agreement, we have one
7 of those, and that would be with the Findlay Township
8 Water Authority.

9 Q. How much water is MATR obligated to sell to the
10 Findlay Authority pursuant to your contract with
11 Findlay?

12 A. We agree to furnish and sell the Findlay Township
13 Water Authority and they agree to accept and purchase
14 85 percent of their total needs.

15 - - -
16 (Whereupon, Exhibit Lenze-1
17 was marked for
18 identification.)

19 - - -

20 BY MR. ZANGRILLI:

21 Q. I'm going to show you, Mr. Lenze, what we have marked
22 as Exhibit Lenze-1 and ask if you can identify this
23 document?

24 A. Yes, I can. This is the October 20, 1983 agreement
25 that was executed between The Municipal Authority of

1 the Township of Robinson and the Western Allegheny
2 County Municipal Authority.

3 Q. And as part of your duties as Executive Director of
4 MATR, are you responsible for administering that
5 contract?

6 A. Yes, I am.

7 Q. And pursuant to that agreement how much of WACMA's
8 water needs was MATR to supply? And if you could
9 read the applicable paragraph, I would appreciate it.

10 A. "MATR shall furnish water to Western Allegheny in
11 such quantities as Western Allegheny shall require
12 but not exceeding the gallons per month (30 days) nor
13 the time limitations as set herein. Western
14 Allegheny agrees to purchase a minimum of 85 percent
15 of its total water needs in any given year from The
16 Municipal Authority of the Township of Robinson under
17 the terms and conditions of this Agreement and until
18 the expiration of this Agreement."

19 Q. I asked you to prepare a schedule of the quantities
20 of water sold by MATR to WACMA from the year 1988
21 through the year 2002.

22 Did you prepare that schedule?

23 A. Yes, I did.

24 - - -

25 (Whereupon, Exhibit Lenze-2

1 was marked for
2 identification.)
3 - - -

4 BY MR. ZANGRILLI:

5 Q. I want to show you what has been marked as Exhibit
6 Lenze-2 and ask you if this exhibit is that schedule?

7 A. Yes, it is.

8 Q. From what documents was this schedule prepared?

9 A. This schedule was prepared from the Annual Water
10 Supply Reports of WACMA filed with the Department of
11 Environmental Protection and from MATR's prevailing
12 Rate Schedules.

13 Q. Does that schedule show the gross revenues derived
14 from MATR's sale of water to WACMA for those years?

15 A. Yes, it does.

16 Q. And how did you compute the gross revenues derived?

17 A. Simply by taking the annual purchases as shown in the
18 Annual Water Supply Reports and multiplying those
19 purchases by the effective rate during each of the 15
20 years as taken from MATR's Rate Schedules.

21 - - -
22 (Whereupon, Exhibit Lenze-3
23 was marked for
24 identification.)
25 - - -

1 BY MR. ZANGRILLI:

2 Q. I want to show you what has been marked collectively
3 as Exhibit Lenze-3, and are these the MATR rate
4 schedules applicable to the years 1988 through 2002?

5 A. Yes, they are.

6 Q. Going back to Lenze Exhibit 1, which is the Agreement
7 between WACMA and MATR, when does that Agreement
8 expire?

9 A. October the 20th, 2003.

10 Q. So, it was a 20-year agreement?

11 A. Yes, it was.

12 Q. Did there come a point in time when MATR and WACMA
13 commenced negotiations with respect to either an
14 extension of the 1983 Agreement or the execution of a
15 new Water Supply Agreement by and between MATR and
16 WACMA?

17 A. Yes.

18 Q. Do you recall when you first personally became
19 involved in these negotiations?

20 A. Shortly after my employment in November of 2000.

21 Q. Mr. Lenze, I asked you to bring with you certain
22 documents pertaining to those negotiations.

23 Did you bring those documents with you today?

24 A. Yes.

25

- - -

(Whereupon, Exhibit Lenze-4
was marked for
identification.)

- - -

BY MR. ZANGRILLI:

Q. I want to show you what has been marked as Lenze
Exhibit 4 and ask if you can tell us what that
document is?

A. This is a document of a predecessor of mine by the
name of David M. Golebiewski to Mr. Robert Owens.
It's a letter dated May 4th, 1998.

Q. Was this letter in the files of MATR that I asked you
to review?

A. Yes.

Q. And who was Mr. Owens?

A. Mr. Owens was the Manager of WACMA.

Q. Have you read this letter?

A. Yes, I have.

Q. Does this letter constitute the first letter in
MATR's files that sets forth the proposed terms and
conditions with respect to a new Water Supply
Agreement between MATR and WACMA?

A. To the best of my knowledge, it does.

Q. All right. Is there any discussion in that letter
about the quantities of water that MATR was expecting

1 WACMA to take?

2 A. It states that one of the items for consideration
3 between the two authorities would be some form of
4 minimum quantity.

5 Q. Okay. Could you read what Mr. Golebiewski wrote with
6 respect to that issue?

7 A. Sure. On Page 2 he writes: "The percentage of
8 WACMA's water needs which MATR is expected to provide
9 or will provide as a minimum quantity."

10 Q. Is there any minimum quantity suggested in Mr.
11 Golebiewski's letter?

12 A. No, there is not.

13 Q. Now, Mr. Lenze, can you state with fair approximation
14 the date on which the last discussions or
15 negotiations between WACMA and MATR took place
16 pertaining to a new Water Supply Agreement between
17 MATR and WACMA?

18 A. There were ongoing face-to-face negotiations as well
19 as negotiations via letter from the date of Mr.
20 Golebiewski's letter up until approximately
21 mid-February of 2003. Of course, these negotiations
22 would have been back and forth over that period of
23 time.

24 Q. Mr. Lenze, did I ask you to review all of the
25 correspondence and notes pertaining to discussions

1 between the MATR and WACMA with respect to the new
2 Water Supply Agreement?

3 A. Yes, you did.

4 Q. During any of these discussions or correspondence,
5 did MATR at any time demand that it supply WACMA with
6 all of WACMA's water needs?

7 A. No, it never did.

8 Q. At any time during these negotiations did MATR ever
9 request of WACMA that WACMA purchase in excess of 85
10 percent of WACMA's total water needs from MATR?

11 A. No.

12 Q. Would it be accurate to say that the range or the
13 percentage of purchase of water that MATR was
14 requesting of WACMA ranged between 75 and 85 percent
15 of WACMA's total water needs?

16 A. Yes.

17 Q. Was the MATR Board prepared to agree to 75 percent of
18 WACMA's needs if that was all that WACMA was willing
19 to purchase?

20 A. Yes.

21

- - -

22

(Whereupon, Exhibit Lenze-5

23

was marked for

24

identification.)

25

- - -

1 BY MR. ZANGRILLI:

2 Q. I want to show you what we'll mark as Lenze Exhibit 5
3 and ask if you can identify this exhibit?

4 A. Yes. This is a letter that I wrote to the Chairman
5 of WACMA dated August 16th, 2002.

6 Q. And is this letter a part of that series of verbal
7 and written negotiations that you just described to
8 us a minute ago, Mr. Lenze?

9 A. Yes, it is.

10 Q. I want to direct your attention to the last paragraph
11 on Page 1, and I would ask you to read that paragraph
12 for the record.

13 A. "The Authority Board has advised me that it is
14 amenable to a 20-year term which you have suggested
15 for the new Water Supply Agreement. Additionally,
16 the Board agrees in principal with your request for a
17 75 percent minimum purchase requirement of WACMA's
18 total water needs, contingent upon WACMA furnishing
19 information pertaining to its current and future
20 average and peak day water usage. This information
21 is sought in order that the Authority can evaluate
22 its timetable for expanding its water production and
23 transmission facilities over the term of the new
24 agreement and to determine the extent to which the
25 Authority may be required to purchase water from time

1 to time from its standby service providers."

2 Q. Why was the proviso in this letter, Mr. Lenze, that
3 reads "contingent upon WACMA furnishing information
4 pertaining to its current and future average and peak
5 day water usage"?

6 A. In order to plan for the expansion of MATR's water
7 supply facilities to serve WACMA, MATR needed to know
8 what the 75 percent would represent over a projected
9 20-year term.

10 WACMA is a very fast-growing service area, and MATR
11 did not have good data concerning WACMA's total water
12 use at that time nor what WACMA's projected demand
13 would be during the term of the new agreement.

14 Q. Mr. Lenze, did you know the quantities of water MATR
15 was selling to WACMA on a monthly and annual basis?

16 A. Absolutely.

17 Q. Do you know for a fact whether there are other
18 suppliers of water to WACMA?

19 A. Yes, it is my understanding that Western Allegheny
20 County Municipal Authority draws water daily from the
21 Moon Authority, the Pennsylvania American Water
22 Company and has an interconnect with the Findlay
23 Township Water Authority.

24 Q. And did you know, prior to the commencement of this
25 litigation, how much water WACMA was purchasing from

1 these other providers?

2 A. No, I did not.

3 Q. Did WACMA provide you with a copy of its Annual Water
4 Supply Report that it filed with the Pennsylvania
5 Department of Environmental Protection?

6 A. No, they did not.

7 Q. And it was only after this litigation began that you
8 obtained copies of those Annual Water Supply Reports?

9 A. That is correct.

10 - - -

11 (Whereupon, Exhibit Lenze-6
12 was marked for
13 identification.)

14 - - -

15 BY MR. ZANGRILLI:

16 Q. I want to show you what has been marked as Exhibit
17 Lenze 6 and ask you if you can identify that
18 document?

19 A. This is a January 29th, 2003 letter written by the
20 Chairman of WACMA, Philip W. Morris, Sr., to Ed
21 Brandon, Chairman of MATR.

22 Q. And I want to direct your attention to the second
23 paragraph where Mr. Morris states "However, the new
24 issues raised by MATR's representatives at the
25 December 19 meeting were not anticipated by WACMA and

1 required us to relay the status of negotiations to
2 our entire Board. These renewed issues included a
3 proposal by MATR to extend the term of a new Service
4 Agreement to a period of thirty (30) years and
5 increase the minimum purchase obligation of WACMA
6 from a seventy-five percent (75%) level to an
7 eighty-five percent (85%) level to be implemented at
8 some point shortly after the new service agreement
9 would take effect."

10 Do you see that paragraph, Mr. Lenze?

11 A. Yes, I do.

12 Q. Did, in fact, MATR request that WACMA purchase a
13 minimum of 85 percent in accordance with what Mr.
14 Morris states?

15 A. It was the subject of a discussion with WACMA during
16 that meeting.

17 Q. Was it ever an absolute uncategorical demand?

18 A. No, it was not. There were discussions concerning
19 what the current level of purchase requirement was,
20 which was 85 percent pursuant to the 1983 Agreement,
21 being Exhibit Lenze-1, and the fact that MATR was at
22 some point going to be spending substantial sums of
23 money on its treatment and transmission facilities to
24 continue to serve WACMA's growing needs and that in
25 order to do that, MATR was desirous of obtaining a

1 greater percentage of WACMA's total needs; that is,
2 serving a greater portion of WACMA's total needs.

3 Q. And was that 85 percent number ever acceptable to
4 WACMA?

5 A. It was not.

6 - - -

7 (Whereupon, Exhibit Lenze-7
8 was marked for
9 identification.)

10 - - -

11 BY MR. ZANGRILLI:

12 Q. I want to show you now what we'll mark as Exhibit
13 Lenze 7 and ask if you can identify this document?

14 A. Yes, this is a February 12th, 2003 letter written by
15 Ed Brandon, MATR's Chairman, to the Chairman of
16 WACMA, Mr. Philip Morris.

17 Q. Now, Mr. Lenze, does this letter discuss at all the
18 percentage of water issue that MATR was negotiating
19 for WACMA to purchase?

20 A. Yes, it does.

21 Q. And would you read that?

22 A. Yes. This letter states on Page 2 that: "With
23 respect to the minimum purchase amount that has been
24 discussed (75-85%), MATR believes that an agreement
25 can be reached on this issue and discussion regarding

1 same will be far more productive at our next
2 meeting."

3 Q. Was there ever a next meeting?

4 A. There was never a next meeting.

5 Q. Was the intent of MATR at that time to accede to
6 WACMA's request that MATR supply no more than 75
7 percent of WACMA's total water needs?

8 A. Yes.

9 Q. Okay. Mr. Lenze, has MATR expended monies to be able
10 to continue to serve WACMA?

11 A. Yes.

12 Q. Did MATR expend monies to expand its Water Treatment
13 Plant, at least in part, to be able to continue to
14 serve WACMA?

15 A. Yes, in 1995 MATR expanded it's Treatment Plant and
16 spent approximately \$4 million to be able to continue
17 serving its customers, including WACMA.

18 Q. Do you know, in terms of the production capabilities
19 of MATR's Water Treatment Plant, what it was expanded
20 from and what it was expanded to?

21 A. Yes, it was expanded from three million gallons per
22 day to six million gallons per day.

23 Q. Did MATR apply for a grant from the United States
24 Environmental Protection Agency to aid in the cost of
25 increasing the size of MATR's main water transmission

1 line?

2 A. Yes.

3 Q. And is the need to expand the size of the water
4 transmission line and to realign it due, in part, to
5 the need to continue to serve WACMA?

6 A. Yes.

7 Q. And was that grant subsequently made?

8 A. Yes, the EPA made an award to the Authority.

9 Q. Do you know the amount of the grant?

10 A. The total amount of the grant was \$485,000.

11 Q. Did MATR incur costs in connection with obtaining
12 that grant?

13 A. Yes, it did.

14 Q. And do you know the amount of those costs?

15 A. Approximately \$60,000, plus engineering costs
16 connected with the grant application process.

17 Q. And to whom was the \$60,000 paid?

18 A. Delta Development Group, Inc.

19 Q. What role did Delta Development Group, Inc. play in
20 that grant acquisition process?

21 A. They represented us in all negotiations and lobbying
22 efforts in Washington.

23 Q. Can you briefly describe the nature of that project,
24 Mr. Lenze?

25 A. During the negotiations with WACMA, MATR knew that it

1 A. Approximately a 30 percent increase in water rates to
2 our customers.

3 Q. Are you familiar with the Agreement between
4 Pennsylvania American Water Company, which I'm going
5 to refer to as PAWC, and WACMA pertaining to the sale
6 of water by PAWC to WACMA commencing after the
7 expiration of MATR's agreement with WACMA?

8 A. Yes, I am.

9 Q. And have you read that document?

10 A. Yes, I have.

11 Q. When did you first become aware that this Agreement
12 had been entered into by WACMA?

13 A. It was sometime in the latter portion of March of
14 2003.

15 Q. Did you immediately request a copy of this Agreement
16 from WACMA?

17 A. Yes, I did.

18 Q. Did WACMA provide you with a copy of this Agreement?

19 A. No, they did not.

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 26

(Whereupon, Exhibit Lenze-8
was marked for
identification.)

25 BY MR. ZANGRILLI:

1 Q. I want to show you has been marked as Exhibit Lenze 8
2 and ask if you can identify this document?

3 A. This is an April 11, 2003 letter written by myself to
4 the Chairman of WACMA and Ms. Deborah P. Lippert of
5 the Pennsylvania American Water Company.

6 Q. And what is the purpose of that letter?

7 A. In this letter I'm telling them that it is my
8 understanding that an agreement has been reached
9 between WACMA and the Pennsylvania American Water
10 Company for a period of 15 years, and I am stating
11 that I have attempted, without success, to obtain a
12 copy of the agreement and to inform them that MATR
13 made a written request for a copy through WACMA's
14 Solicitor pursuant to the Pennsylvania Right to Know
15 Act.

16 Q. And do you know whether the request was made of WACMA
17 pursuant to the Right to Know Act?

18 A. Yes, I do know.

19 Q. And pursuant to that request, was the agreement
20 ultimately delivered to MATR?

21 A. That's correct.

22 Q. Approximately when did you receive that agreement,
23 Mr. Lenze?

24 A. May 14, 2003.

25

- - -

(Whereupon, Exhibit Lenze-9
was marked for
identification.)

- - -

BY MR. ZANGRILLI:

Q. And I want to show you what has been marked as Lenze
Exhibit 9 and ask you if this is substantially the
agreement that you received in mid-May of 2003 from
WACMA?

A. This is substantially the agreement. This is not
exactly what I received. I believe the one that I
received had CONFIDENTIAL stamped on it, but it's
certainly substantially that document.

- - -

(Whereupon, at 3:00 p.m., the
direct testimony of Anthony
Thomas Lenze was concluded.

- - -

A G R E E M E N T

THIS AGREEMENT made and entered into this 20th day of October, 1983, by and between THE MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON, County of Allegheny and Commonwealth of Pennsylvania, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, hereinafter known as "MATR", Party of the First Part,

A

N

D

THE WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY, County of Allegheny, Commonwealth of Pennsylvania, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, hereinafter referred to as "WESTERN ALLEGHENY", Party of the Second Part.

W I T N E S S E T H

WHEREAS, MATR is engaged in the supplying of water to customers within its service territory, as well as supplying water to WESTERN ALLEGHENY; and

WHEREAS, WESTERN ALLEGHENY also purchases of water from other sources of supply, and has no independent source of supply in and of itself; and

EXHIBIT

LENZE - 1

WHEREAS, MATR is agreeable to selling a certain quantity and supply of water under certain stipulated conditions and WESTERN ALLEGHENY is agreeable to purchasing water upon those terms and conditions; and

WHEREAS, the parties hereto desire to reduce the terms of all understandings and covenants between MATR and WESTERN ALLEGHENY to writing;

NOW, THEREFORE, the parties hereto, for and in consideration of the charges, rates, covenants and conditions contained herein hereby agree as follows.

SECTION 1. MATR shall furnish water to WESTERN ALLEGHENY in such quantities as WESTERN ALLEGHENY shall require but not exceeding the gallons per month (30 days) nor the time limitations as set forth herein. WESTERN ALLEGHENY agrees to purchase a minimum of eighty-five percent (85%) of its total water needs in any given year from the MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON under the terms and conditions of this Agreement, and until the expiration of this Agreement. In any event, MATR shall not supply nor shall WESTERN ALLEGHENY request in excess of 30,000,000 gallons per month (30 days) without the written acceptance and approval of MATR. Any modification of the amounts of water to be supplied or purchased in excess of the amounts contained herein shall be subject to review and modification by the parties, and only agreed to in writing by both of the parties hereto.

SECTION 2. Standard Rate Considerations. On the basis of current usage, as well as past usage, MATR agrees to supply WESTERN ALLEGHENY an amount not to exceed 30,000,000 per month at the MATR schedule of rates, subject to the special rate considerations set forth in Section 3 below. It is hereby understood and agreed, that WESTERN ALLEGHENY shall be deemed to be a customer insofar as the rate schedule is concerned on the basis of receiving water service through a four inch (4") meter. The rate schedule referenced herein shall be construed to mean the regularly published schedule of rates duly adopted by the Board of Directors of The Municipal Authority of the Township of Robinson, at any given time.

SECTION 3. Special Rate Considerations. Consistent with Section 2 herein, MATR agrees to supply WESTERN ALLEGHENY up to 30,000,000 gallons per month on the basis of the MATR schedule of rates as defined herein. However, the parties further covenant and agree from time to time because of MATR's plant capacity, it becomes necessary for MATR to use Western Pennsylvania Water Company as an additional source of water in order to meet the demands not only of the service territory of MATR but also the service territory of WESTERN ALLEGHENY. When said use is effected, MATR becomes obligated to pay the rates of the Western Pennsylvania Water Company as well as pumping charges in order to purchase and then distribute Western Pennsylvania water into the water systems.

In that regard, and in order to more properly distribute the costs of obtaining Western Pennsylvania Water Company water, the parties have agreed to the following method of recovering said cost. So long as the rate from the Western Pennsylvania Water Company is in excess of the rate charged by MATR, the following calculations shall take place. MATR and WESTERN ALLEGHENY shall make a determination as to the total amount of water used in any particular year by MATR for its service territory and by WESTERN ALLEGHENY received from MATR. The total amount of water used shall then be calculated on a percentage or ratio basis as to the total amount of water used by MATR in its total system and the total amount of water received by WESTERN ALLEGHENY from MATR. Total water shall mean the total gallonage billed by MATR to all customers for its water, and in regard to WESTERN ALLEGHENY shall constitute water received through the meter from MATR. Based upon this ratio or percentage, each party shall pay its proportional percentage or ratio share based upon total water usage of the additional costs of Western Pennsylvania Water Company water as well as the costs associated in electrical charges for pumping said water into the MATR and WESTERN ALLEGHENY systems. Said calculation shall take place at the end of the year, and both the electric bills for pumpage charges as well as Western Pennsylvania Water Company bills shall be made available to WESTERN ALLEGHENY for its review.

MATR shall bill WESTERN ALLEGHENY the amount deemed to be due and owing along with sufficient data to enable WESTERN ALLEGHENY to make a calculation as to the reasonableness and accuracy of said bill.

SECTION 4. WESTERN ALLEGHENY hereby covenants and agrees that MATR shall supply eighty-five (85%) all of said WESTERN ALLEGHENY water needs. In that regard, and consistent with the exceptions herein stated, this Agreement shall remain in full force and effect for a period of twenty (20) years following the execution of said document.

SECTION 5. The parties covenant and agree that as far as the determination of rates is concerned, and based upon WESTERN ALLEGHENY being billed on the basis of the published rate schedule for a four inch (4") meter, with the exceptions herein stated above, MATR shall uniformly apply any and all rate increases to all water customers as is provided by law, including the WESTERN ALLEGHENY AUTHORITY. MATR shall not effect a rate schedule change that would cause WESTERN ALLEGHENY to be treated or classified any differently than any other MATR customer in application of rates or minimum usages so long as said treatment is reasonable and uniform and it complies with the laws of the Commonwealth of Pennsylvania. MATR shall notify WESTERN ALLEGHENY as to the basis for any modification of rates.

SECTION 6. MATR hereby covenants and agrees to furnish water to WESTERN ALLEGHENY subject to the current pressures available from its existing facilities which are known to the WESTERN ALLEGHENY and WESTERN ALLEGHENY agrees that said pressure shall meet and discharge all obligations of MATR under this Agreement in regard to said pressures. WESTERN ALLEGHENY shall make its best efforts to give MATR information regarding sufficient changes in projected water use as WESTERN ALLEGHENY becomes aware of same.

SECTION 7. MATR hereby covenants and agrees that the supply of water shall not be shut off except in cases of actual emergency. In the event that MATR shall find it necessary to shut off the supply of water to WESTERN ALLEGHENY for the purpose of making replacements or repairs, or for any reason, and no actual emergency exists, MATR shall notify WESTERN ALLEGHENY of its intent to do so, and such notice shall state the times and duration of such interruption of water service. MATR shall endeavor in all circumstances to give sufficient notice to WESTERN ALLEGHENY regarding shutting off of service. In that regard, and in order to facilitate said notice WESTERN ALLEGHENY shall supply from time to time a name, address and phone number of an individual that MATR shall be able to contact on a twenty-four (24) hour basis.

WESTERN ALLEGHENY hereby agrees that in the event the supply of water must be restricted to any of the customers of the MATR then and in that event, WESTERN ALLEGHENY hereby agrees to immediately impose similar restrictions on all customers using MATR water in its system provided WESTERN ALLEGHENY is using the MATR water.

SECTION 8. MATR covenants and agrees that it will use all reasonable diligence in providing a consistent uninterrupted supply of water for WESTERN ALLEGHENY, but MATR shall not be liable to WESTERN ALLEGHENY hereunder by reason of failure of WESTERN ALLEGHENY to receive water nor shall WESTERN ALLEGHENY be liable to take water, as a result of fire, strike, riot, explosion, flood, accident,

breakdown, acts of God or the public enemy, or other acts beyond the control of the party affected, it being the intention of each of the parties to relieve the other of the obligation to supply water or to receive water and pay for the water when as a result of the above-mentioned causes either party may be unable to deliver or use, in whole, or in part, the water hereunder agreed to be delivered or received. The parties hereto covenant and agree that they and each of them shall be prompt and diligent in removing and overcoming the causes of such interruptions, but nothing herein contained shall be construed as permitting MATR to refuse to deliver and WESTERN ALLEGHENY to refuse to receive water after the cause of interruption has been removed. In the event of impaired or defective service, MATR shall immediately give notice to the office of WESTERN ALLEGHENY by telephone or otherwise, confirming such notice in writing as soon as thereafter practicable.

Should MATR recover damages from some third party for any actions which may require termination or interruption of water service, it shall before commencing such a demand or an action contact WESTERN ALLEGHENY regarding any damages it may have had with regard to said incidents. On that basis, MATR shall attempt to recover those costs for WESTERN ALLEGHENY on an actual or pro rata basis depending upon the nature of the settlement or judgment received.

SECTION 9. All notices which, under the terms and conditions of this Agreement are required or authorized to be given to WESTERN ALLEGHENY shall be given to WESTERN ALLEGHENY at its principal office in North Fayette Township, or as otherwise officially

indicated. All notices which, under the terms and conditions of this Agreement are required or authorized to be given to MATR shall be given to MATR at its principal office located in the Township of Robinson, or as otherwise officially indicated. All notices required or authorized to be given under this Agreement shall be mailed in the ordinary course of business to the parties as set forth above.

SECTION 10. The parties hereto mutually covenant and agree that should the parties hereto be unable to agree for a period in excess of sixty (60) days as to the interpretation of any item in this Agreement, then, upon written demand of either party, the matter shall be submitted to arbitration in the following manner pursuant to the following provisions:

- (a). Notice of a claim of a party, stating the nature thereof and requesting negotiations with regard thereto, shall be given to the other party as is set forth in this agreement;
- (b). Any time after the expiration of sixty (60) days from the date of giving such notice, submission of the dispute to arbitration may be demanded by either party. Such a demand shall be in writing, as is set forth herein;
- (c). Within fifteen (15) days from the date of such demand, each party shall strike from the list provided by the American Arbitration Association as is provided by said association in its selection procedure.
- (d). In the event that either party fails to select the arbitrator within fifteen (15) days of the demand for arbitration, either party may apply to the judge of the Court of Common Pleas of Allegheny County when presiding in the Assignment Room for the appointment of an arbitrator, in default. The appointment of such arbitrator shall be final and binding on the parties hereto and upon any arbitrator appointed by same.

(e). The arbitrator as selected by the parties or appointed by the Court shall hear the matter in dispute and shall file written findings and a decision within sixty (60) days of the submission of the dispute to them unless such time is extended by mutual consent of the parties in writing. The decision of the arbitrator shall final and binding upon the parties hereto, their successors and assigns;

SECTION 11. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective successors or assigns. This Agreement shall be for an initial term set forth, and may be extended for such additional periods as the parties hereto shall agree to in writing, it being the understanding of the parties hereto that this Agreement encompasses the entire understanding between the parties hereto and that any modifications or changes therein shall be in writing approved and signed by the parties hereto. Further, each party hereto represents that its appropriate Board has by resolution authorized the proper officers of each Authority to execute this Agreement.

IN WITNESS whereof the parties have set their hands and seals this 20th day of October, 1983.

ATTEST:

Frank J. Schneck
Secretary

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON

BY John C. C. C.

ATTEST:

Theresa Green
Secretary

THE WESTERN ALLEGHENY COUNTY
MUNICIPAL AUTHORITY

BY

WACMA'S ANNUAL PURCHASES AND REVENUES 1988-2002		
YEAR	ANNUAL PURCHASES	GROSS REVENUES
1988	187,678,985	\$262,750.58
1989	198,718,045	\$278,205.26
1990	199,444,030	\$293,182.72
1991	220,189,900	\$323,679.15
1992	231,593,595	\$363,601.94
1993	267,454,845	\$462,696.88
1994	285,258,085	\$493,496.49
1995	267,317,970	\$462,460.09
1996	273,384,270	\$516,696.27
1997	288,450,010	\$562,477.52
1998	271,120,175	\$566,641.17
1999	300,188,045	\$627,393.01
2000	323,025,000	\$704,194.50
2001	310,615,000	\$677,140.70
2002	392,347,990	\$855,318.62

EXHIBIT

LENZE - 2

WATER RATESCustomer Charges

<u>Meter Size</u>	<u>Monthly Charge</u>
3/4"	\$ 3.50
1"	\$10.50
1-1/2"	\$21.00
2"	\$34.00
3"	\$64.00
4"	\$106.00

First 100,000 gals. per month @\$2.10 per 1,000 gals.
 Next 900,000 gals. per month @ \$2.00 per 1,000 gals.
 Over 1,000,000 gals. per month @ \$1.40 per 1,000 gals.

<u>Meter Size</u>	<u>Quarterly Charge</u>
3/4"	\$10.50

First 300,000 gals. per quarter @ \$2.10 per 1,000 gals.

SEWER RATESCustomer Charges

<u>Meter Size</u>	<u>Monthly Charge</u>
3/4"	\$ 3.50
1"	\$10.50
1-1/2"	\$21.00
2"	\$34.00
3"	\$64.00
4"	\$106.00

First 40,000 gals. per month @ \$3.00 per 1,000 gals.
 Over 40,000 gals. per month @ \$2.30 per 1,000 gals.

<u>Meter Size</u>	<u>Quarterly Charge</u>
3/4"	10.50

First 120,000 gals. per quarter @ \$3.00 per 1,000 gals.

EXHIBIT

LENZE - 3

**M
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The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

WATER RATES EFFECTIVE JULY 1, 1990

CUSTOMER CHARGES

METER SIZE

MONTHLY CHARGE

5/8"	
*3/4"	\$ 3.68
1"	7.36
1-1/2"	11.04
2"	22.05
3"	35.70
4"	67.20
	111.30

First 100,000 gallons per month @ \$2.21 per 1,000 gallons
 Next 900,000 gallons per month @ \$2.10 per 1,000 gallons
 Over 1,000,000 gallons per month @ \$1.47 per 1,000 gallons

METER SIZE

QUARTERLY CHARGE

5/8"	\$11.04
------	---------

First 300,000 gallons per quarter @ \$2.21 per 1,000 gallons

SEWER RATES EFFECTIVE JULY 1, 1990

CUSTOMER CHARGES

METER SIZE

MONTHLY CHARGES

5/8"	
*3/4"	\$ 3.68
1"	7.36
1-1/2"	11.04
2"	22.05
3"	35.70
4"	67.20
	111.30

First 40,000 gallons per month @ \$3.15 per 1,000 gallons
 Over 40,000 gallons per month @ \$2.42 per 1,000 gallons

METER SIZE

QUARTERLY CHARGE

5/8"	11.04
------	-------

First 120,000 gallons per quarter @ \$3.15 per 1,000 gallons

*RATES EFFECTIVE SEPTEMBER 11, 1991

**M
A
T
R**

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

WATER RATES EFFECTIVE JULY 1, 1992

Customer Charges

Monthly Charge

Meter Size

5/8"	\$ 4.60
3/4"	9.20
1"	13.80
1-1/2"	27.56
2"	44.63 ✓
3"	84.00
4"	139.13

First 100,000 gallons per month @ \$2.36 per 1,000 gallons.
 Next 900,000 gallons per month @ \$2.25 per 1,000 gallons.
 Over 1,000,000 gallons per month @ \$1.57 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 13.80
3/4"	27.60

First 300,000 gallons per quarter @ \$2.36 per 1,000 gallons.

SEWER RATES EFFECTIVE JULY 1, 1992

Customer Charges

Monthly Charge

Meter Size

5/8"	\$ 4.60
3/4"	9.20
1"	13.80
1-1/2"	27.56
2"	44.63 ✓
3"	84.00
4"	139.13

First 40,000 gallons per month @ \$3.75 per 1,000 gallons.
 Over 40,000 gallons per month @ \$2.88 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 13.80
3/4"	27.60

First 120,000 gallons per quarter @ \$3.75 per 1,000 gallons.

The Municipal Authority of the Township of Robinson

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WATER RATES EFFECTIVE JULY 1, 1993

Customer Charges

Meter Size

Monthly Charge

5/8"	\$ 4.95
3/4"	9.89
1"	14.84
1-1/2"	29.63
2"	47.98
3"	90.30
4"	149.56
6"	269.16
8"	441.56

First 100,000 gallons per month @ \$2.60 per 1,000 gallons.
Next 900,000 gallons per month @ \$2.48 per 1,000 gallons.
Over 1,000,000 gallons per month @ \$1.73 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 14.85
3/4"	29.67

First 300,000 gallons per quarter @ \$2.60 per 1,000 gallons.

SEWER RATES EFFECTIVE JULY 1, 1993

Customer Charges

Meter Size

Monthly Charge

5/8"	\$ 4.95
3/4"	9.89
1"	14.84
1-1/2"	29.63
2"	47.98
3"	90.30
4"	149.56
6"	269.16
8"	441.56

First 40,000 gallons per month @ \$3.94 per 1,000 gallons.
Over 40,000 gallons per month @ \$3.02 per 1,000 gallons.

Meter Size

Quarterly Charge

5/8"	\$ 14.85 ✓
3/4"	29.67

First 120,000 gallons per quarter @ \$3.94 per 1,000 gallons.

WATER RATES EFFECTIVE AUGUST 15, 1996

Residential Customer Charges

<u>Meter Size</u>	<u>Quarterly Meter Charge</u>
5/8"	\$16.20
3/4"	\$32.34

Consumption Charges

First 300,000 gallons per quarter per 1,000 gallons	\$2.84
Next 2,700,000 gallons per quarter per 1,000 gallons	\$2.71

Commercial Customer Charges

<u>Meter Size</u>	<u>Monthly Meter Charge</u>
5/8"	\$5.40
3/4"	\$10.78
1"	\$16.18
1 1/2"	\$32.30
2"	\$52.30
3"	\$98.43
4"	\$163.02
6"	\$293.38
8"	\$481.30

Consumption Charges

First 100,000 gallons per month per 1,000 gallons	\$2.84
Next 900,000 gallons per month per 1,000 gallons	\$2.71
Over 1,000,000 gallons per month per 1,000 gallons	\$1.89

SEWER RATES EFFECTIVE AUGUST 15, 1996

Residential Customer Charges

<u>Meter Size</u>	<u>Quarterly Meter Charge</u>
5/8"	\$16.20
3/4"	\$32.34

Consumption Charges

First 120,000 gallons per quarter per 1,000 gallons	\$4.30
All additional flow per quarter per 1,000 gallons	\$3.30

Commercial Customer Charges

<u>Meter Size</u>	<u>Monthly Meter Charge</u>
5/8"	\$5.40
3/4"	\$10.78
1"	\$16.18
1 1/2"	\$32.30
2"	\$52.30
3"	\$98.43
4"	\$163.02
6"	\$293.38
8"	\$481.30

Consumption Charges

First 40,000 gallons per month per 1,000 gallons	\$4.30
Over 40,000 gallons per month per 1,000 gallons	\$3.30

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539
Phone: (412) 923-2411 • Fax: (412) 923-2347

Meter/Service Charges

SIZE	Water	Sewer	Quarterly	
	Monthly Charge	Monthly Charge	Water	Sewer
5/8"	\$ 5.65	\$ 5.65	\$16.95	\$16.95
3/4"	\$ 11.00	\$ 11.00	33.00	33.00
1"	\$ 17.00	\$ 17.00		
1 1/2"	\$ 33.00	\$ 33.00		
2"	\$ 55.00	\$ 55.00		
3"	\$ 100.00	\$ 100.00		
4"	\$ 165.00	\$ 165.00		
6"	\$ 300.00	\$ 300.00		
8"	\$ 500.00	\$ 500.00		

Water Rates

	Residential	Commercial
	per 1000 gallons	
First 100,000 gal./month	—	\$ 2.90
First 300,000 gal./quarter	\$ 2.90 ✓	—
100,000 to 1,000,000 gal./month	—	\$ 2.77
300,000 to 3,000,000 gal./quarter	\$ 2.77	—
Over 1,000,000 gal./month	—	\$ 1.95
Over 3,000,000 gal./quarter	\$ 1.95	—

Sewer Rates

	Residential	Commercial
	per 1000 gallons	
First 70,000 gal./month	—	\$ 4.27
First 210,000 gal./quarter	\$ 4.27 ✓	—
Over 70,000 gal./month	—	\$ 3.20
Over 210,000 gal./quarter	\$ 3.20	—

Miscellaneous Charges

Public Fire Hydrant	\$ 185.00
Private Fire Hydrant	\$ 185.00
Building Fire Service	\$ 185.00
Building Fire Standpipe	\$ 185.00
Lien Letter Fee	\$ 25.00
Drainage Dye Testing	\$ 35.00
Water Turn Off/On Charge	\$ 40.00
Returned Check Charge (NSF)	\$ 25.00
Temporary Service Set-up Fee	\$ 25.00
Hydrant Meter Deposit	\$ 1,000.00
Non Payment Penalty	5% of bill first month 1% of bill each month after the first month

The Municipal Authority of the
Township of Robinson
P.O. Box 15539, Pittsburgh Pennsylvania 15244
Telephone #412/923-2411 - Telefax #412/923-2347

Water/Sewer Rates Effective July 1, 1998
(Wholesale customer rates effective August 1, 1998)

Meter Size	Monthly Charge (water)	Quarterly Charge (water)	Monthly Charge (sewer)	Quarterly Charge (sewer)
5/8"	\$5.90	\$17.70	\$6.02	\$18.06
3/4"	\$11.50	\$34.50	\$11.73	\$35.19
1"	\$17.77		\$18.12	
1-1/2"	\$34.49		\$35.18	
2"	\$57.48		\$58.63	
3"	\$104.50		\$106.60	
4"	\$172.43		\$175.89	
6"	\$313.50		\$319.80	
8"	\$522.50		\$533.00	

<u>Water Rates</u>	<u>Residential</u>	<u>Commercial</u>
First 100,000/month		\$3.03
First 300,000/month	\$3.03	
Over 100,000/month		\$2.89
Over 300,000/month	\$2.89	
Wholesale customers (all water usage)		\$2.09

<u>Sewer Rates</u>	<u>Residential</u>	<u>Commercial</u>
First 70,000/month		\$4.55
First 210,000/month	\$4.55	
Over 70,000/month		\$3.41
Over 210,000/month	\$3.41	

Example: 10,000 gallons usage - 3 month bill:

Water: 10,000 x \$3.03	\$30.30
customer charge	\$17.70
Sewer: 10,000 x \$4.55	\$45.50
customer charge	\$18.06
Total:	\$111.56

*Deduct Meter Example: 10,000 gallons used on main meter
3,000 gallons used on deduct meter*

Water: 10,000 x \$3.03	\$30.30	
customer charge	\$17.70	
Sewer: 7,000 x \$4.55	\$31.85	
customer charge	\$18.06	
Total:	\$97.91	Savings: \$13.65

The Municipal Authority of the Township of Robinson
New Rate Schedule, effective 01/01/00

Meter Charge	Water Monthly Charge	Water Quarterly Charge	Sewer Monthly Charge	Sewer Quarterly Charge
5/8"	\$ 6.15	\$18.45	\$ 6.28	\$18.84
3/4"	\$ 11.99	\$35.97	\$ 12.23	\$36.69
1"	\$ 18.53	\$55.59	\$ 18.90	\$56.70
1-1/2"	\$ 35.97		\$ 36.69	
2"	\$ 59.95		\$ 61.15	
3"	\$108.99		\$111.18	
4"	\$179.84		\$183.45	
6"	\$326.98		\$333.55	
8"	\$544.97		\$555.92	

Water Rates (4.3%)	Residential	Commercial	Wholesale
First 100,000 gallons/month	---	\$3.16	
Over 100,000 gallons/month	---	\$3.01	
First 300,000 gallons/ quarter	\$3.16	---	---
Over 300,000 gallons/quarter	\$3.01	---	---
All water purchased	---	---	\$2.18

Sewer Rates (4.3%)	Residential	Commercial	Wholesale
First 70,000 gallons/month	---	\$4.75	
Over 70,000 gallons/month	---	\$3.56	
First 210,000 gallons/quarter	\$4.75	---	
Over 210,000 gallons/quarter	\$3.56	---	

Miscellaneous Charges:

Public Fire Hydrant	\$193.00
Private Fire Hydrant	\$193.00
Building Fire Service	\$193.00
Building Fire Standpipe	\$193.00
Lien Letter Fee	\$ 25.00
Dye Test	\$ 35.00
Water Turn-On Fee	\$ 40.00
Water Turn-off Fee	\$ 40.00
Returned Check Fee	\$ 25.00
Temp. service set up fee	\$ 25.00
Hydrant Meter Deposit	\$1000.00
Non-Payment Penalty	5% of the current bill

The Municipal Authority of the Township of Robinson

P.O. Box 15539 Pittsburgh, Pennsylvania 15244-0539

Phone: (412) 923-2411 Fax: (412) 923-2347

New Rate Schedule Effective January 1, 2000

Service Charges based on meter size

Meter	WATER		SEWER	
	Monthly Charge	Quarterly Charge	Monthly Charge	Quarterly Charge
5/8"	\$6.15	\$18.45	\$6.28	\$18.84
3/4"	\$11.99	\$35.97	\$12.23	\$36.69
1"	\$18.53	\$55.59	\$18.90	\$56.70
1 1/2"	\$35.97		\$36.69	
2"	\$59.95		\$61.15	
3"	\$108.99		\$111.18	
4"	\$179.84		\$183.45	
6"	\$326.98		\$333.55	
8"	\$544.97		\$555.92	

Rates based per thousand gallons

Water Rates	Residential	Commercial	Whole Sale
First 100,000 gallons/month	n/a	\$3.16	n/a
Over 100,000 gallons/month	n/a	\$3.01	n/a
First 300,000 gallons/quarter	\$3.16	n/a	n/a
Over 300,000 gallons/quarter	\$3.01	n/a	n/a
All water purchased	n/a	n/a	\$2.18

Sewer Rates	Residential	Commercial	Whole Sale
First 70,000 gallons/month	n/a	\$4.75	n/a
Over 70,000 gallons/month	n/a	\$3.56	n/a
First 210,000 gallons/quarter	\$4.75	n/a	n/a
Over 210,000 gallons/quarter	\$3.56	n/a	n/a

Miscellaneous Charges:

Public Fire Hydrant	\$268.00
Private Fire Hydrant	\$268.00
Building Fire Service	\$193.00
Building Fire Standpipe	\$193.00
Lien Letter Fee	\$25.00
Dye Test	\$35.00
Water Turn-On Fee	\$40.00
Water Turn-Off Fee	\$40.00
Returned Check Fee	\$25.00
Temporary Service Set Up Fee	\$25.00
Hydrant Meter Deposit	\$1,000.00
Non-Payment Penalty	10% of Current Bill

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539
Phone: (412) 923-2411 • Fax: (412) 923-2347

May 4, 1998

RECEIVED MAY 6 1998

Mr. Robert Owen, Manager
Western Allegheny County Municipal Authority
403 Virginia Avenue
Oakdale, Pa. 15071

Re: Bulk Water Sale Contract

Dear Mr. Owen:

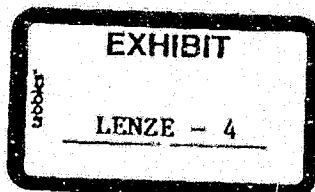
I had previously reported to the MATR Directors the main points of our discussions earlier this year regarding the substantial growth being experienced in North Fayette. The Board expressed an interest at that time in following up with the concept of early discussions relating to the Bulk Water Sale Contract between MATR and WACMA.

As you indicated in our general discussion, you have experienced substantial growth in the recent past and expect further growth in the near future. You also indicated that WACMA was taking some actions to ensure your ability to be able to draw sufficient water from MATR to meet the needs of your customers.

As I noted to you, MATR considers the continuation of our contractual relationship an important matter which should have a high priority. MATR has ensured that a 12" water line will be constructed on Park Manor Drive from Montour Run Road to the Route 60 ramp to the Robinson Town Centre and The Pointe. With this line in close proximity to water lines owned by WACMA in that area, it could provide for a second, much needed, connection between the two systems. I also noted that the Directors were reviewing and considering various items in a proposed Capital Improvements Plan. Several of the items in that plan directly relate to the needs for additional quantities of water which you may require in the future and methods to ensure the reliability of our supply and service.

An obvious consideration in the review process of these capital projects is the matter of an ongoing contract with WACMA beyond the expiration of the current contract in October, 2003. Since some of the projects under consideration could be scaled down, delayed, or possibly even eliminated, the Board wishes to determine the level of service, quantities of water expected to be purchased, and a committed time frame for a new or amended contract between the two organizations. To ensure clarity in the terms and conditions of a contract, I would suggest that a new agreement be developed with language covering all of the needs of both Authorities as we currently perceive them to be for the future.

I would suggest that the items listed below should be considered for inclusion in any new contract which is to be developed. Please note that the MATR Directors have not set any specific guidelines at this time and any "near" final document would be subject to review and possible revision by the MATR solicitor and specific requirements as determined by the MATR Board. I am sure that you would have the same requirements. Even knowing that, however, I



believe that we could develop a base document to cover the important aspects of a contract, especially as it pertains to technical matters.

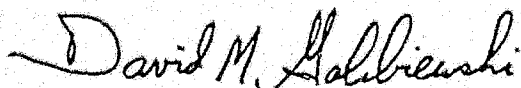
CONTRACTUAL ITEMS FOR CONSIDERATION

1. Term of the contract. I would suggest that 20 to 30 years is appropriate.
2. Maximum quantity of water WACMA will purchase from MATR in any given period (day, month, year). This could be set up so that the amounts increase over time as the need arises with proper notification.
3. The percentage of WACMA's water needs which MATR is expected to provide or will provide as a minimum quantity.
4. Rate(s) to be charged WACMA as a "bulk customer" by MATR. A flat rate for all quantities would be a possibility rather than using the multiple block rate schedule used for the retail customers.
5. A clear understanding of how rate adjustments would be made by MATR and how these would affect WACMA.
6. The need or possibility for another connection between the two Authorities. Size of connection, location of connection, and who would pay for what items related to such an additional connection could be included.
7. Notifications related to rate changes, unusual cost items, changes in projected usage, ongoing development, emergency situations, etc.
8. Methodology to resolve any differences in interpretation of the agreement.

Please feel free to add any additional items which you believe should be incorporated into a new contract. We could meet at your convenience to begin discussing these contractual clauses or a draft of a written document could be prepared so that we and the members of both Boards could review and provide comments as needed. Of course, some MATR Board members could meet with some WACMA Board members if that is determined to be necessary.

Please advise me of your preferences at your earliest convenience. I believe that it would be in the best interests of both Authorities to reach an agreement as early as possible so that future plans and programs may be developed and implemented.

Sincerely,
The MUNICIPAL AUTHORITY of
the TOWNSHIP of ROBINSON



David M. Golebiewski
Executive Director

cc: MATR Directors
A. Zangrilli, Esq.
R. Antonelli

The Municipal Authority of the Township of Robinson

P O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539
Phone: (412) 923-2411 • Fax: (412) 923-2347
E-mail: watermatr@aol.com

August 16, 2002

Mr. Phillip Morris, Chairman
Western Allegheny County Municipal Authority
403 Virginia Drive
Oakdale, PA 15071-9105

Re: Bulk Water Rate for New Water Supply Agreement

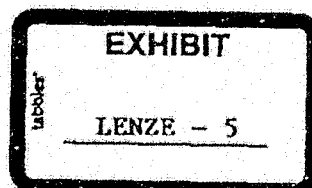
Dear Mr. Morris:

In response to your letter dated July 18, 2002, enclosed is the Computation of the Bulk Rates to WACMA based on the actual costs for the Authority's Fiscal Year ending June 30, 2002. The previous cost figures that were forwarded with our February 14, 2002 letter were based on the Authority's Budget for the same (July 1, 2001 to June 30, 2002) period.

You will note in the enclosed example that no costs are indicated under the cost category of "Water Storage Facilities." These costs are not shown because during the 2001/2002 fiscal year, the Authority did not segregate these costs. While no costs are indicated, I would like to point out that, at this time, I do not anticipate that these costs would affect the bulk rate calculation by more than one (1) or two (2) cents per 1,000 gallons.

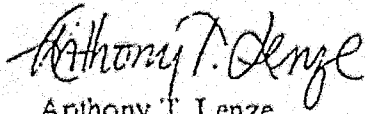
The cost per thousand gallons has been computed on the total gallons of water delivered to our water system during the period of July 1, 2001 to June 30, 2002 (1,413,907,000 gallons), the same period for which the actual cost figures are shown.

The Authority Board has advised me that it is amenable to the twenty (20) year term, which you have suggested, for the new Water Supply Agreement. Additionally, the Board agrees in principle with your request for a 75% minimum purchase requirement of WACMA's total water needs, contingent upon WACMA furnishing information pertaining to its current and future average and peak day water usage. This information is sought in order that the Authority can evaluate its timetable for expanding its water production and transmission facilities over the term of the new agreement and to determine the extent to which the Authority may be required to purchase water from time to time from its standby service providers.



We trust that this information is sufficient for your immediate needs and look forward to meeting with you under the format that you have suggested in the very near future.

Very truly yours,

A handwritten signature in cursive script, reading "Anthony T. Lenze". The signature is written in dark ink and is positioned above the printed name and title.

Anthony T. Lenze
Executive Director

cc: Authority Board
Raymond H. Antonelli, Sr., P.E.
Albert J. Zangrilli
David G. Nichols, P.E.

COMPUTATION OF BULK WATER RATES TO WACMA
Based on Actual Costs for Fiscal Year Ending 6-30-02

	ACTUAL COST FISCAL YR. 2001/2002	COST PER 1,000 GAL.	COST PER 1,000 GAL. WACMA	WACMA PERCENT OF COST
Standby Service (Including Power)	\$47,493	0.03359	0.03359	100%
Water Treatment Plant				
Operating Labor	244,624	0.17301	0.17301	100%
Sludge Disposal Labor				100%
Electrical Power, Filtration Plant	303,790	0.21486	0.21486	100%
Raw Water Pump Station (Power)	38,608	0.02731	0.02731	100%
Heating (Raw Water P.S., Filtration Plant)	7,154	0.00506	0.00506	100%
Chemicals	127,694	0.09031	0.09031	100%
Supplies	3,230	0.00228	0.00228	100%
Laboratory	20,222	0.01430	0.01430	100%
General Maintenance	15,208	0.01076	0.01076	100%
Maintenance (Carbon Filters)	2,236	0.00158	0.00158	100%
Sludge Truck Operations and Lease (8,125 + 6,012)	14,135	0.01000	0.01000	100%
Sludge Disposal Costs (ALCOSAN)	33,864	0.02395	0.02395	100%
Miscellaneous	-----	-----	-----	
Sub-Total	\$810,765	0.57342	0.57342	100%
Water Storage Facilities				
COST CENTERS WERE NOT AVAILABLE FOR THESE ITEMS				
Route 60 Storage Tanks Maintenance				100%
Route 60 Pump Station				100%
1. Power Including Heating				100%
2. Maintenance (Labor and Materials)				100%
Bayer Road Storage Tank Maintenance				
1. Power Including Heating				100%
2. Maintenance				100%
SCADA Operating Cost and Maintenance				100%
Transmission Lines O&M				100%
Sub-Total				
Water Distribution System				
Operating Labor	189,262	0.13386	-----	-----
Vehicle Expenses	17,400	0.01231	-----	-----
Equipment and Supplies	57,869	0.04093	-----	-----
Meter Reading / Repairs / Replace / Labor	40,585	0.02870	-----	-----
Materials (Sand, Gravel, Topsoil, etc.)	19,072	0.01349	-----	-----
Miscellaneous Meals, Mileage, etc.	5,044	0.00357	-----	-----
Vehicle Payments (Backhoe)	13,366	0.00945	-----	-----
Sub-Total	\$342,598	0.24231	-----	-----

COMPUTATION OF BULK WATER RATES TO WACMA
Based on Actual Costs for Fiscal Year Ending 6-30-02

	ACTUAL COST FISCAL YR. 2001/2002	COST PER 1,000 GAL.	COST PER 1,000 GAL. WACMA	WACMA PERCENT OF COST
General and Administrative				
Trustee Fees Water System	13,710	0.00970	0.00873	90%
Directors Fees	4,106	0.00290	-----	0%
Directors Expenses	1,085	0.00077	-----	0%
Administrative Salaries	64,463	0.04559	0.01368	30%
Clerical Labor	47,598	0.03366	0.01010	30%
Professional Fees - Legal	15,520	0.01098	-----	0%
Professional Fees - Engineering	14,801	0.01047	-----	0%
Professional Fees - Audit	22,230	0.01572	-----	0%
Retirement	54,564	0.03859	0.01858	**48.156
Employee Benefits (Hosp., Life Ins., Dis., etc.)	131,151	0.09276	0.04467	**48.156
Insurance	32,557	0.02303	0.02303	80%
Social Security Taxes	49,115	0.03474	0.01673	**48.156
Unemployment Compensation Taxes	1,716	0.00121	0.00058	**48.156
Office Supplies	33,429	0.02364	-----	0%
Telephone	22,146	0.01566	0.00470	30%
Electric - Power	4,861	0.00344	0.00103	30%
Miscellaneous	96	0.00007	-----	0%
Merchandise & Jobbing	30,993	0.02192	-----	0%
Conferences, Training, Memberships, etc.	236	0.00017	-----	0%
Total General and Administrative	\$544,377.00	0.38502	0.14183	
Debt Service (Incl. Cover)	\$2,029,925.00	1.43568	1.29212	90% of Water D.S.
Non-Bond Debt				
Capital Improvement Projects (Related to Water Treatment, Storage, & Transmission)	\$91,914.00	0.06501	0.06501	100%
Total Cost/1,000 Gal.			2.10597	

Total Debt Service \$2,153,460 x 1.10 = \$2,368,806

Water System = 85.694% of Total

Treatment, Storage and Transmission is 90% of Water System D.S.

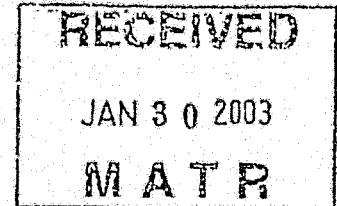
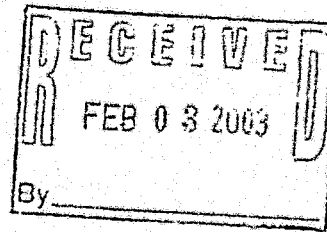
Western Allegheny County Municipal Authority

403 VIRGINIA DRIVE
OAKDALE, PA 15071-9105
PHONE: 788-4337
FAX: 788-0788

AUTHORITY BOARD

PHILIP W. MORRIS SR., CHAIRMAN
JUDY A. DEWEY, VICE-CHAIRMAN
PATRICK J. FLECK JR., SECRETARY
JOHN MCGROGAN, TREASURER
TOM MEYERS, SECRETARY-TREASURER

GROGAN, GRAFFAM, MCGINLEY
SOLICITOR
NICHOLS & SLAGLE ENGR., INC.
CONSULTING ENGINEERS



January 29, 2003

Mr. Edward Brandon
Chairman
Municipal Authority of Township of Robinson
P. O. Box 15539
Pittsburgh, PA 15244-0539

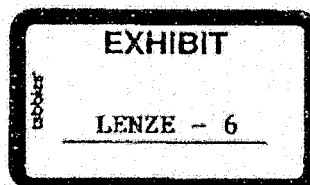
Re: Negotiations Concerning Water Supply Agreement with Western Allegheny County
Municipal Authority

Dear Mr. Brandon:

The entire Board of Directors of the Western Allegheny County Municipal Authority, together with its professionals, has discussed the issues raised at our last joint negotiating session held on December 19, 2002. As you know, prior to the December 19 meeting, WACMA'S representatives had anticipated that the December 19 meeting would be held for the purposes of confirming agreement by the parties on the key provisions of a new service agreement and the finalization of various provisions of the draft agreement discussed at our prior meeting held on September 26, 2002.

However, the new issues raised by MATR's representatives at the December 19 meeting were not anticipated by WACMA and required us to relay the status of negotiations to our entire Board. These renewed issues included a proposal by MATR to extend the term of a new service agreement to a period of thirty (30) years and increase the minimum purchase obligation of WACMA from a seventy-five percent (75%) level to an eighty-five percent (85%) level to be implemented at some point shortly after the new service agreement would take effect.

For several compelling reasons, WACMA has determined that it is not amenable to the December, 2002 proposals of MATR. First, the recent proposals submitted by MATR run counter to its written confirmation to WACMA that MATR was willing to accept a twenty-year term and agreed in principal with a seventy-five percent minimum purchase obligation, as written in MATR's August 16, 2002 letter.



Further, there are sound policy reasons for WACMA's desire to see a twenty-year term and a seventy-five percent minimum purchase obligation. The present agreement is a twenty-year agreement and the uncertainty of future developments makes a term longer than twenty years unadvisable. WACMA believes that a twenty-year term is sufficient for MATR to support long-term financing for required capital improvements.

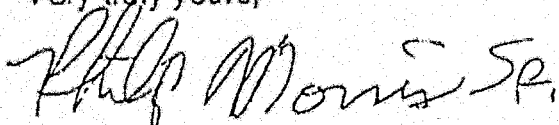
As to the seventy-five percent minimum purchase requirement, WACMA and MATR have discussed previously the mutual incentives in WACMA's purchase of as high a percentage as possible from MATR provided it can deliver a sufficient supply of water at a relatively reasonable price given the economies of scale afforded by the proposed supply of bulk water to a large customer such as WACMA. These mutual incentives, supported by the rate adjustment language we believe both parties have tentative agreement upon, would more than likely result in higher percentage purchases by WACMA than seventy-five percent. However, if MATR's cost of delivering bulk water to WACMA escalates significantly, WACMA wants the modest protection afforded by having the option to purchase up to twenty-five percent of its total water needs from other sources. The extensive area served by WACMA necessitates a twenty-five percent carve-out from MATR and reliance on other sources to meet isolated demands of new development until the distribution system can be reinforced in an economical fashion. Based upon past history, it may be necessary for WACMA to use other available sources up to twenty-five percent to meet seasonal demands that are currently unforeseen until MATR can expand its delivery capabilities.

Accordingly, WACMA is prepared to proceed toward finalization of a new supply agreement with MATR, but only upon the basis of a twenty-year term and a seventy-five percent minimum purchase obligation on WACMA's part. To keep these negotiations on an active schedule, we would request that MATR relay to WACMA whether it is prepared to finalize negotiations based upon a twenty-year term and a seventy-five percent minimum purchase obligation by no later than February 14, 2003.

If the parties can resume negotiations based on a twenty-year term and a seventy-five percent minimum purchase obligation, WACMA is hopeful that these negotiations can be finalized in the very near future. However, if MATR is not amenable to the twenty-year term and seventy-five percent minimum purchase obligation, WACMA must also, in the interest of its customers, explore the prospects of other long-term supply sources for WACMA's future water needs in addition to the discussions with MATR.

Please feel free to contact me with your response to this letter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Philip Morris Sr.", written in a cursive style.

Philip W. Morris, Sr., Chairman
Western Allegheny County Municipal Authority

cc: WACMA Board
Ronald J. Brown, Esquire, Solicitor
David G. Nichols, P. E., Consulting Engineer

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539
Phone: (412) 923-2411 • Fax: (412) 923-2347
E-mail: watermatr@aol.com

February 12, 2003

Mr. Phillip Morris, Chairman
Western Allegheny County Municipal Authority
403 Virginia Drive
Oakdale, PA 15071-9105

Re: New Water Supply Agreement

Dear Mr. Morris:

This is in response to your letter dated January 29, 2003 concerning the issues raised at our last meeting held on December 19, 2003. The Board of The Municipal Authority of the Township of Robinson ("MATR") is willing to consider a twenty (20) year term for the new Water Supply Agreement if our respective Authorities can reach an agreement with respect to the following concept:

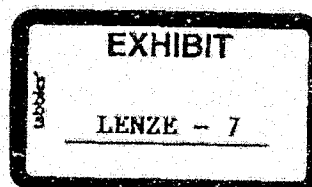
It is anticipated by MATR that in approximately 2010, MATR will need to undertake an expansion of its water treatment plant and complete the second phase of the 30" diameter transmission main to its Route 60 storage facilities, hereinafter referred to as the "Project". The Project is required in order for MATR to be capable of meeting its water supply obligations pursuant to the new Water Supply Agreement currently under negotiation. At the time the Project is undertaken, MATR agrees to limit the term of its financing to a maximum of twenty-five (25) years. MATR and WACMA agree that concurrent with the date MATR closes on the aforementioned financing (evidence of same to be promptly provided by MATR to WACMA), this Agreement will automatically be extended by the number of years resulting from the following calculation:

Subtract the years remaining on the present 20-year Agreement from the length of the financing. The remainder resulting from said subtraction will be the number of years automatically added to the term of this Agreement.

Example: Year of financing = 2010

Years remaining under original 2003 Agreement = 13

Length of financing = 20 years



Remainder = 20 years minus 13 or 7 years that would be added to the remaining term of the Agreement.

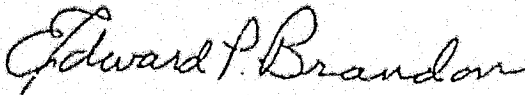
Should MATR not undertake the Project described herein, the Agreement shall expire at the end of the Agreement's twenty (20) year term.

Of course, in the event we are able to agree on the foregoing concept, our understandings must be reduced to a written Agreement and approved by our respective Solicitors and Boards.

With respect to the minimum purchase amount that has been discussed (75% - 85%), MATR believes that agreement can be reached on this issue and discussion regarding same will be far more productive at our next meeting.

We are hopeful that a meeting can be held between the representatives of our respective Authorities before the end of this month. Please notify me as soon as possible regarding WACMA's acceptance of the foregoing concept and its willingness to resume negotiations in order that a meeting can be arranged.

Very truly yours,

A handwritten signature in cursive script that reads "Edward P. Brandon".

Edward P. Brandon
Chairman

cc: Authority Board
Raymond H. Antonelli, Sr., P.E.
Albert J. Zangrilli

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539

Phone: (412) 923-2411 • Fax: (412) 923-2347

E-mail: watermatr@aol.com

April 11, 2003

Certified Mail 7002 3150 0005 3070 4487

Mr. Phillip Morris, Chairman
Western Allegheny County Municipal
Authority
403 Virginia Drive
Oakdale, PA 15071-9105

Certified Mail 7002 3150 0005 3070 4494

Ms. Deborah P. Lippert
Pennsylvania American Water Company
410 Cooke Lane
Pittsburgh, Pennsylvania 15234

Re: Water Supply Agreement between Western Allegheny County
Municipal Authority ("WACMA") and Pennsylvania American Water
Company ("PAWC")

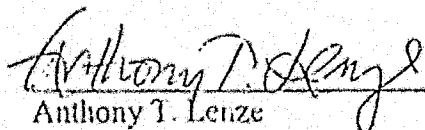
Dear Mr. Morris and Ms. Lippert:

We understand that WACMA and PAWC have entered into an agreement whereby PAWC will supply water for the WACMA system for a fifteen year period. We have attempted, without success, to obtain a copy of the agreement, and yesterday our solicitor made a written request for such a copy to WACMA's solicitor, pursuant to Pennsylvania's Right to Know Act.

Please be advised that we have concerns regarding whether the agreement is consistent with PAWC's tariff. We cannot fully analyze these concerns until we receive a copy of the agreement. Moreover, in the event the agreement is not authorized by PAWC's tariff or is otherwise improper, we intend to pursue any available legal remedies.

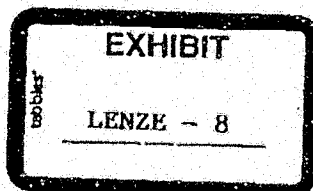
Very truly yours,

The Municipal Authority of the Township of Robinson



Anthony T. Lenze
Executive Director

cc: Authority Board
Raymond H. Antonelli, Sr., P.E.
Albert J. Zangrilli



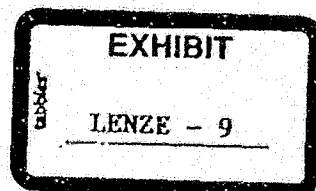
WATER SALES AGREEMENT

between

PENNSYLVANIA-AMERICAN WATER COMPANY

and

THE WESTERN ALLEGHENY COUNTY MUNICIPAL
AUTHORITY



WA-348

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CONFIDENTIAL

WATER SALES AGREEMENT

THIS AGREEMENT is entered into this 23rd day of March 2003, by and between PENNSYLVANIA-AMERICAN WATER COMPANY, (the "Water Company" or "PAWC"), a Pennsylvania corporation with offices located at 800 W. Hersheypark Drive Hershey, PA 17033 and the Western Allegheny County Municipal Authority ("Western Allegheny"), a Pennsylvania municipal authority with offices at 403 Virginia Drive, Oakdale, Pennsylvania 15071.

Background

A. Western Allegheny currently purchases a portion of its water supply from the Water Company for resale to its customers, and has an alternative to significantly reduce, or perhaps eliminate, its purchases from PAWC.

B. PAWC remains capable of meeting Western Allegheny's water demand, and desires to retain Western Allegheny as a customer.

C. Western Allegheny and the Water Company recognize that utilizing the Water Company's existing facilities present an opportunity to structure an arrangement whereby Western Allegheny would retain a cost effective supply of water and the Water Company's customers would benefit from a consistent revenue source over a sustained period of time to pay a portion of the fixed costs of the Water Company.

D. Western Allegheny desires to purchase water from the Water Company on a monthly basis based on expected average and maximum water demands. Payments would be intended to reimburse the Water Company not only for the cost of the supplied water but also for the portion of the facilities required to meet Western Allegheny's water demand and include a payment above those costs to the general revenue requirement of other Water Company customers.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, do hereby covenant and agree as follows:

1. Definitions.

"Agreement" shall mean this Agreement.

"Commodity Charge" represents a charge intended to cover the Water Company's variable production cost of supplying water to Western Allegheny.

"Consumer Price Index" shall mean the national Consumer Price Index for all urban consumers as published by the Bureau of Labor Statistics of the United States Department of Labor. For this sub-category, the period 1982-1984 is equal to 100 on the index. An example of the index is set forth in Appendix No. 3 to this Agreement.

WA-350

"Contract Year" shall mean a period of twelve months during the Term as defined in the Agreement.

"Demand Based Resale (DRS) Tariff" shall have the meaning set forth in the Water Company's approved tariff.

"DEP" shall mean the Pennsylvania Department of Environmental Protection.

"Effective Date" shall mean the date upon which the conditions precedent set forth in Section 4 hereof shall have been satisfied.

"Emergency Situation" shall be a fire or main break within Western Allegheny's service area.

"Escalation Factor" shall mean, for a given Contract Year, the annual increase in the national Consumer Price Index (CPI) expressed as a decimal less than one, plus one. For example, an increase in the CPI of 3.0% would produce an escalation factor of 1.03% for that year.

"First Contract Year" shall be the period from the Effective Date to the end of the period twelve (12) months from that date.

"Fixed Annual Average Day Demand" represents Western Allegheny's expected daily water demand in gallons averaged over a one year period.

"Fixed Annual Average Day Demand Charge" represents a charge for the water expected to be supplied on average by the Water Company to Western Allegheny for a given Contract Year.

"Fixed Annual Average Day Demand Charge Rate" shall be a rate per 1,000 gallons of Fixed Average Day Demand.

"Maximum Day Demand" shall mean the maximum daily volume of water in gallons that the Water Company is obligated to supply to Western Allegheny.

"Maximum Day Demand Charge" represents a charge intended to cover a portion of the Water Company's costs associated with meeting maximum day demands of the Water Company's system and the Maximum Day Demand required by Western Allegheny.

"Maximum Day Demand Charge Rate" shall be a rate per 1,000 gallons of Maximum Day Demand.

"Maximum Hourly Demand" shall mean the maximum hourly volume of water in gallons that the Water Company is obligated to supply to Western Allegheny.

"Maximum Hourly Demand Charge" represents a charge intended to cover a portion of the Water Company's costs associated with meeting maximum hourly demands of the Water Company's system and the Maximum Hourly Demand required by Western Allegheny.

"Maximum Hourly Demand Charge Rate" shall be a rate per 1,000 gallons of Maximum Hourly Demand.

"Monthly Customer Charge" shall be a charge intended to cover the Water Company's fixed costs related to meter reading, accounting and billing.

"PA PUC" shall mean the Pennsylvania Public Utility Commission.

"Total Monthly Charges" shall be the monthly charges for water purchased by Western Allegheny from the Water Company as calculated by multiplying the quantity of water delivered by the Water Company to Western Allegheny during the month by the current rate per 1,000 gallons of water.

2. Supply of Water

2.1 From and after the Effective Date of this Agreement, the Water Company shall deliver potable water to Western Allegheny. During the Term, the water will be delivered at such rates of flow and in such quantities as are requested by Western Allegheny. The Water Company's obligation to deliver potable water shall be subject to such interruptions and fluctuations in service as may from time to time occur as a result or arising out of the operation and maintenance of the water supply and distribution system of the Water Company on the terms and conditions provided in this Agreement. Provided, however, Authority agrees to purchase during any twelve-month period the greater of i.) the minimum annual gallon amount of water at a load factor of not less than 0.75 or ii.) not less than 90% of Western Allegheny's total water system usage at a daily load factor of not less than 0.75. During the First Contract Year the minimum annual gallon amount shall be 433,000,000 gallons.

2.2 The Water Company shall be the primary supplier of water for public water service to Western Allegheny, and Western Allegheny shall purchase the majority of its total requirements for water from the Water Company. Western Allegheny shall be limited to the amount of water it purchases from suppliers other than the Water Company to an amount no greater 7,600,000 gallons per month pursuant to this Agreement; provided, however, that this provision shall be waived if, and to the extent that, (a) Western Allegheny requires an additional volume of water in excess of the maximum quantities available from the Water Company to serve its customers, and the Water Company is unable to deliver such additional quantities within one year of the time such quantities are required, or (b) Western Allegheny has an emergency situation, such as a fire or main break, during which its water demand increases for short period, or (c) during high demand periods when the Water Company requires Western Allegheny to curtail its usage to the Maximum Day Demand or the Maximum Hourly Demand as set forth in this Agreement.

2.3 Western Allegheny agrees to cooperate with the Water Company in Western Allegheny's management and operation of its system in order to maximize the utilization of the Water Company's water supply.

2.4 Western Allegheny agrees to permit the Water Company to install, maintain, repair or replace transmitters, data circuits and such other facilities in Western Allegheny's system in order to control and monitor the transfer of the water supply from PAWC's system to the Western Allegheny system.

3. Term.

The "Term" of this Agreement shall run from the Effective Date of this Agreement until fifteen (15) years from the Effective Date unless terminated prior thereto under the provisions of this Agreement. Thereafter, the Term shall automatically extend for additional one-year extension periods unless and until this Agreement is terminated by written notice by either party to the other delivered at least six (6) months before the expiration of the term, or the then current Extension period. The components of the Total Monthly Charges shall be subject to changes as hereinafter described in this Agreement, and the Water Company shall be satisfied regarding the alternative options of Western Allegheny and its ability to meet the demand criteria as set forth in the Water Company's DRS Tariffs.

4. Conditions Precedent

4.1 The Water Company shall be satisfied regarding the alternative options of Western Allegheny, and its ability to meet the demand criteria set forth in the DRS Tariffs including how Western Allegheny intends to comply with the daily load factor contained in the Company's tariff as of the date of execution of this Agreement. A copy of the Water Company's DRS tariff is attached as Appendix No. 1.

4.2 Western Allegheny shall fully cooperate with such efforts of the Water Company including providing copies of such non-proprietary technical and economic documentation as is required in satisfying such conditions.

4.3 PAWC shall obtain property for the installation of the Company's metering and pumping stations.

4.4 The Water Company shall have installed and constructed all facilities necessary to make the required quantities of water available to Western Allegheny including, but not limited to the installation of three metering, two pumping stations and approximately 19,000 feet of waterline. Said facilities shall be owned by the Water Company.

4.5 The Company shall begin the necessary capital improvements after execution of the Agreement.

4.6 The parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PA PUC to the extent such approval is required.

4.7 The parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PAWC Board of Directors.

4.8 The parties recognize and expressly agree that the consummation of the transaction is conditioned upon receiving all necessary permits and approvals from the Pennsylvania Department of Environmental Protection.

4.9 Western Allegheny shall begin purchasing water from the Water Company no later than October 21, 2003.

5. Meter Connections & Meters

The Water Company shall make potable water available to Western Allegheny in accordance with this Agreement at a meter connection located near the intersection of Mill Street, Short Street and School Street proximate the municipal boundary line between South Fayette Township and North Fayette Township, a meter connection along Pinkerton Run Road proximate to the municipal boundary line between North Fayette Township and Collier Township and a meter connection near the intersection of Old Steubenville Pike (a.k.a. Old U.S. 22 & 30) and George's Lane proximate to the municipal boundary line between Robinson Township, Washington County and North Fayette Township. The Water Company shall, at its own cost and expense, own and maintain the meter(s) used to supply water to Western Allegheny. The meter(s) will be capable of measuring instantaneous demand use, and the data will be made available for review by Western Allegheny. The Water Company will perform calibration tests on the meters on at least a twelve (12) month basis in order to maintain the accuracy tolerance then currently approved by the PA PUC (for example, at the time of execution of this Agreement, the approved accuracy tolerance was two (2%) percent). The Water Company shall (i) notify Western Allegheny at least forty-eight (48) hours in advance of the time any test is to be made to permit Western Allegheny to observe such tests and (ii) furnish Western Allegheny with a copy of the results of all checks and calibration tests performed on such meter. If any tests or calibration checks show a condition of inaccuracy, adjustments shall be made immediately to such meter and to all charges and other calculations made under this Agreement from the date of the last calibration that were based on such meter readings. Western Allegheny shall have the right to independently check such meter, at its expense, at any time upon notification to the Water Company or its authorized representative.

6. Risk of Loss.

Title, possession and control of water shall remain with the Water Company to the metering point(s) where title, possession and control of water delivered under this Agreement shall pass from the Water Company to Western Allegheny. As between the parties hereto, the Water Company shall be in exclusive control and possession of the water deliverable hereunder and solely responsible for any damage or injury caused thereby until the same shall have been delivered.

ered to Western Allegheny after which Western Allegheny shall be in exclusive control and possession thereof and solely responsible for any injury or damage caused thereby (except to the extent such injury or damage is caused by contamination of the water delivery to Western Allegheny), and claims, demands and causes of action which may arise from the respective ownership and control of such water. The provisions of this Section 6 shall survive any termination of this Agreement.

7. Water Quality Standards

The Water Company shall comply with all Federal and Pennsylvania regulations concerning safe drinking water standards for water provided to the meter connection(s), during the term of this Agreement.

8. Water Payments-Total Monthly Charges

8.1 The Water Company shall bill Western Allegheny on or after twenty (20) days after each calendar month during the term for the water service provided by the Water Company in accordance with the Agreement. The bills shall contain a statement showing the quantities of water delivered by the Water Company to Western Allegheny during the month being billed and the calculation of the applicable Total Monthly Charges. For purposes of this Agreement, rates per 1,000 gallons and monthly charges shall be rounded to the nearest penny, volumes shall be rounded to the nearest 100 gallons, and Escalation Factors shall be rounded to two (2) places.

8.1.1 In the event of a dispute between Western Allegheny and the Water Company respecting any bill, the Water Company will forthwith make such investigation as may be necessary by the particular case and report the result thereof to Western Allegheny. When the Water Company has made such a report to Western Allegheny indicating the bill is correct as rendered, Western Allegheny shall have fifteen (15) days from the date of such report in which to pay the bill. If the Water Company determines that the bill originally rendered is incorrect, it will issue a corrected bill with a new date for payment. In the event of a corrected bill, any amounts received by the Water Company in excess of the disputed amount shall be returned to Western Allegheny for the period in dispute. Western Allegheny may escrow the amount of the bill that is in dispute and must pay all past and future undisputed bills during the dispute period. If Western Allegheny elects to escrow the amount of the disputed bill, Western Allegheny must provide the Water Company within five (5) business days written notification that it has taken such action, the amount in escrow and the location of the escrow account. Upon determination of the party entitled to the disputed amount, Western Allegheny shall withdraw such amount from escrow and shall pay to the entitled party.

8.2 From the Effective Date, Western Allegheny shall pay to the Water Company each month, in consideration for the water service provided by the Water Company, under the terms and conditions of this Agreement, the rate per 1,000 gallons of water used as set forth on Appendix No. 2 to this Agreement. The monthly customer charges will not be separately shown on the bill since they were included in the determination of the rate per 1,000 gallons.

8.3 After the First Contract Year, the percentage increase from the calculation of the Escalation Factor shall be applied to the rate per 1,000 gallons of the previous Contract Year to determine the rate per 1,000 gallons for the following Contract Year. The new rate per 1,000 gallons shall be rounded to two decimal places and shall take effect on the first anniversary of the Effective Date. If the resulting new rate per 1,000 gallons should be less than the previous Contract Year rate per 1,000 gallons, no reduction will be made to the previous Contract Year rate per 1,000 gallons to be used during the Contract year.

8.4 During any Extension Period of this Agreement the procedure set forth in Section 8.3 will be used to determine the escalation factor, and the resulting percentage increase applied to the then current rate per 1,000 gallons.

9. Water Payments-Annual Reconciliation

9.1 At the conclusion of the second Contract Year, Western Allegheny and PAWC will perform a calculation to determine that Western Allegheny purchased the minimum amount of water pursuant to the terms of the Agreement. On or before the third month following the previous Contract Year, PAWC and Western Allegheny shall make a determination as to the total amount of water used by Western Allegheny during the previous Contract Year. Western Allegheny shall provide to PAWC on or before the third month following the previous Contract Year a schedule detailing the total amount of water used by Western Allegheny for the previous Contract Year. Said schedule will show by month the amount of water received by Western Allegheny from each separate water source during the previous Contract Year. Total water used shall mean the total gallons of water received by Western Allegheny from all water sources, including, but not limited to, connections to PAWC, other water suppliers and water produced by Western Allegheny. The total amount of water used shall then be calculated to determine on a percentage or ratio basis the total amount of water received by Western Allegheny from PAWC compared to the total amount of water used by Western Allegheny. Total water received from PAWC shall mean the total gallons of water received by Western Allegheny as measured by the PAWC water meters.

9.2 The Water Company shall perform a calculation to determine the minimum amount of water required to be purchased by Western Allegheny from the Water Company during the previous Contract Year. The minimum amount of water Western Allegheny shall be required to purchase from the Water Company shall be the greater of the minimum annual gallon amount or 90% of Western Allegheny's total water usage during the previous Contract Year.

9.2.1 The minimum annual gallon amount shall be the Fixed Annual Average Day Demand of the previous Contract Year multiplied by the number of days in the previous Contract Year.

9.2.2 To determine the amount of water equal to 90% of Western Allegheny's total water usage during the previous Contract Year, Water Company will multiply Western Allegheny's total water usage from the previous Contract Year as calculated in Section 9.1 by a factor of 0.90.

9.3 Water Company will compare the total amount of water purchased by Western Allegheny from the Water Company during the previous Contract Year to the minimum purchase amount calculated in Section 9.2. If the amount of water purchased from PAWC during the previous Contract Year is greater than the minimum purchase amount calculated in Section 9.2, no additional bill shall be rendered to Western Allegheny. If the amount of water purchased from PAWC during the previous Contract Year is less than the minimum purchase amount calculated in Section 9.2, PAWC shall bill and Western Allegheny shall pay an amount equal to the difference between the minimum purchase amount and the actual amount of water purchased multiplied by the rate per 1,000 gallons of the previous Contract Year. Water Company shall receive said payment no later than the fourth month following the end of the previous Contract Year.

9.4 Water Company shall waive the Annual Reconciliation of the minimum purchase requirement during any Contract Year in which Western Allegheny purchased no less than ninety nine percent (99%) of its water for the previous Contract Year from the Water Company. However under no circumstances shall the annual amount of water purchased from the Water Company be less than 328,500,000 gallons of water.

10. Fixed Annual Average Day Demand

10.1 During the First Contract Year, the Fixed Annual Average Day Demand shall be 1,200,000 gallons.

10.2 At the beginning of the second Contract Year, the Fixed Annual Average Day Demand shall be reset to the daily average of the actual volume of water supplied by the Water Company to Western Allegheny during the First Contract Year.

10.3 At the beginning of each Contract Year after second Contract Year, the Fixed Annual Average Day Demand for the previous Contract Year shall remain the same except as it may be reset by Section 11.3.4.

11. Maximum Day Demand

The Maximum Day Demand shall be adjusted pursuant to this Section 11 at the beginning of each Contract Year and, except as otherwise provided in this Agreement, shall remain constant for the remainder of such Contract Year.

11.1 During the First Contract Year, the Maximum Day Demand shall be 1,600,000 gallons.

11.2 During the second Contract Year, the Maximum Day Demand shall be reset to an amount that produces a daily load factor of 0.75 based on the Fixed Annual Average Day Demand calculated pursuant to Section 10.2. By way of example only, if Western Allegheny's Fixed Annual Average Day Demand for the First Contract Year was determined to be 1,250,000 gallons of water per day, the Maximum Day Demand for the following Contract Year would be reset to 1,666,666 gallons of water per day ($1,250,000 \text{ gallons} / 0.75 \text{ load factor} = 1,666,666 \text{ gallons}$).

11.3 At the beginning of each Contract Year after the second Contract Year, the Maximum Day Demand shall remain the same except as it may be adjusted by Section 11.3.3.

11.3.3 If, for more than forty-five (45) days in a given Contract Year, Western Allegheny's daily demand exceeds the Maximum Day Demand then in effect, then the fourth-sixth (46) highest day demand in such Contract Year shall become the new contracted Maximum Day Demand as of the beginning of the next Contract Year.

11.3.4 At the beginning of each Contract Year which the Maximum Day Demand shall be reset pursuant to Section 11.3.3, Water Company will reset the Fixed Annual Average Day Demand to an amount that produces a daily load factor of 0.75. By way of example only, if Western Allegheny's Maximum Day Demand during the previous Contract Year resulted in a new Maximum Day Demand for the following Contract Year (pursuant to Section 11.3.3) of 1,700,000 gallons of water per day, the Fixed Annual Average Day Demand for the following Contract Year would be reset to 1,275,000 gallons of water per day ($1,700,000 \text{ gallons} \times 0.75 \text{ load factor} = 1,275,000 \text{ gallons}$).

11.4 Western Allegheny's daily demand in excess of the Maximum Day Demand shall always be limited by the Water Company's ability to meet that demand for an extended period with existing facilities and shall always be subject to the Water Company's right to curtailment under Section 15 hereof. Western Allegheny shall not be permitted to exceed the Maximum Day Demand for more than seven consecutive days without notifying the Water Company by telephone.

12. Maximum Hourly Demand

Western Allegheny's hourly demand in excess of the Maximum Hourly Demand shall always be limited by the Water Company's ability to meet that demand for an extended period with existing facilities and shall always be subject to the Water Company's right to curtailment under Section 15 hereof.

13. Changes in Water Demand.

13.1 When Western Allegheny's long-term water demand materially increases or decreases or it expects its long-term water demand to materially increase or decrease, the parties will, in good faith, discuss and negotiate revised contract terms with the intent of amending this Agreement to address Western Allegheny's actual or expected long-term water demand from the Water Company to arrive at a price competitive with alternatives available to Western Allegheny.

13.2 For purposes of this section, a material increase or decrease shall be an increase or decrease in excess of 7%. However, the rate per 1,000 gallons of water shall continue to be determined as outlined in Section 3 of the agreement.

13.3 Authority acknowledges that the Water Company will only be able to provide up to 2.0 million gallons of water per day ("mgd") at the Pinkerton Run Road meter connection, 2.0

mgd at the Old Steubenville Pike meter connection and 0.4 mgd at the Mill and School Street meter connection, based on the facilities described under Section 4 of this Agreement.

14. Planned Outages and Emergencies

When Western Allegheny has planned outages or emergency situations, such as fires or main breaks, during which its water demand increases for short periods, Western Allegheny and the Water Company will cooperate in mitigating the impact of those circumstances.

15. Water Company's Notice to Curtail Demand.

The Water Company shall have the right during high demand periods to curtail Western Allegheny's usage to the Maximum Day Demand or the Maximum Hourly Demand set forth in this Agreement. Western Allegheny shall immediately reduce its usage to the Maximum Day Demand or Maximum Hourly Demand upon notice (oral or written) from the Water Company to do so.

16. Service Interruptions.

16.1 The Water Company shall have the right to shut off all or any part of its plant and discontinue or otherwise limit service when deemed necessary by the Water Company for the purpose of making any repairs, alterations or additions. The Water Company will provide Western Allegheny with advance notice of any planned service interruption.

16.2 The obligation of the Water Company hereunder to supply water to Western Allegheny is further limited by the understanding and agreement that the Water Company shall use only such reasonable care and diligence to prevent and avoid interruptions and fluctuations in its service to Western Allegheny as it does in its own operation; and that it does not guarantee that interruptions and fluctuations in its service to Western Allegheny will not occur because of emergencies due to breaks, leaks, defects, necessary repairs in its facilities, or those events described in Section 17 hereof, provided however, that in the event the Water Company fails, because of system breaks or any other cause, to supply the quantity of water demanded by Western Allegheny, the Water Company shall use its best efforts to immediately remedy such failure.

17. Force Majeure.

Neither party shall be in default under this Agreement if such party's performance is delayed or prevented by or due to war, riot, terrorist acts, unusually severe weather conditions (such as weather conditions triggering the imposition of drought emergency restrictions), acts of God and other similar causes (but not including labor shortages, lock-outs or strikes) beyond the control of such party, and the time within which such party must comply with any of the terms, covenants and conditions of this Agreement shall be extended by a period of time equal to the period of time that performance by such party is delayed or prevented by the causes specified above provided that such party shall have immediately notified the other party of the existence of the causes of delay.

18. Right of Entry.

Subject to Western Allegheny's reasonable regulations, the Water Company and its representatives shall have the right to enter the premises and facilities of Western Allegheny for the purpose of installing, maintaining, testing, repairing and replacing transmitters, data circuits and such other facilities in Western Allegheny's system in order to control and monitor the transfer of the water supply from PAWC's system to the Western Allegheny system.

19. Fire Service

The Water Company is not hereby offering fire protection service to Western Allegheny, although Western Allegheny may elect to use water supplied to it by the Water Company for fire protection. Western Allegheny also agrees that the Water Company shall not in any way be considered an insurer of property or persons or as having undertaken to supply sufficient water or water pressure to extinguish fires or to protect any person or any property against loss or damage by fire or otherwise.

20. Western Allegheny's Default.

20.1 The Water Company shall have the right to terminate this Agreement after thirty (30) days notice in writing for failure to pay any bill for water purchased. In the event of termination by the Water Company, Western Allegheny shall pay to the Water Company as liquidated damages, the actual damages being difficult to ascertain, the arrearages for all previous bills not paid through the date of termination, the Total Monthly Charges to be paid from the date of termination hereunder through three years after the date of termination and the actual cost to the Water Company of all capital improvements installed or constructed by or on behalf of the Water Company and specifically required to make the required quantities of water available to Western Allegheny, including, but not limited to the installation of three metering stations, two pumping stations and the installation of approximately 19,000 feet of waterline. Liquidated damages, with the exception of arrearages for previous bills not paid through termination which shall be paid in full, shall be paid according to the following percentages: 100% if termination occurs between the beginning of the first Contract Year and the end of the fifth Contract Year, 67% if termination occurs between the beginning of the sixth Contract Year and the end of the tenth Contract Year and 33% if termination occurs between the beginning of the eleventh Contract Year and the end of the fifteenth Contract Year.

20.2 The Water Company shall have the right to terminate this Agreement for any violation of the rules and regulations of the Water Company as provided for in its tariff. Said termination and the Water Company's remedies in the event of such termination will be in accordance with the Water Company's tariff, the Pennsylvania Public Utility Commission regulations or by Pennsylvania Public Utility Commission order, unless otherwise provided for within the Agreement.

20.3 Water Company and Western Allegheny agree and consent that all other claimed violations or defaults by Western Allegheny alleged under the terms of this Agreement shall be

subject to the Alternative Dispute Resolution (ADR) Process of the Pennsylvania Public Utility Commission as set forth in Appendix 4, hereof, as amended from time to time by the Pennsylvania Public Utility Commission.

21. Water Company's Failure to Supply Water or Default.

21.1 The Water Company shall orally inform Western Allegheny within six (6) hours of the time that the Water Company learns that it cannot, or reasonably believes it would not be able to, meet the Maximum Day Demand or Maximum Hourly Demand. The Water Company shall follow such oral notification with written confirmation within three (3) business days.

21.2 Unless the Water Company is rightfully exercising its remedies against Western Allegheny pursuant to Section 20 hereof, in the event that during any period of time the Water Company fails to meet the water demand of Western Allegheny, at the metering point(s) or could not have met the Maximum Day Demand or Maximum Hourly Demand if so demanded by Western Allegheny (any such period being a "Reduced Supply Period"), for whatever reason, including, without limitation, the Water Company's action under Section 16 or 17 hereof, then the following shall apply:

21.2.1 During any Reduced Supply Period in which no water is delivered to the metering point(s), the Charges applicable to such Reduced Supply Period (which shall be calculated by prorating the time within such Reduced Supply Period against the time within the month) shall be totally abated.

21.2.2 During any Reduced Supply Period in which some water is delivered to the metering point(s) (i) the Monthly Charge applicable to such Reduced Supply Period (which shall be calculated by prorating the time within such Reduced Supply Period against the time within the month) shall instead be calculated by multiplying the Contract Year rate per 1,000 gallon to the actual volume of water supplied during such Reduced Supply Period (in gallons).

21.2.3 In addition to those remedies set forth in Section 21.2 hereof, Western Allegheny also shall have the right to terminate this Agreement after sixty (60) days' notice if the Water Company fails to meet Western Allegheny's water demand, for whatever reason, and the Water Company shall not have remedied such failure or default during such sixty (60) day period. Water Company and Western Allegheny agree and consent that all other claimed violations or defaults by Western Allegheny alleged under the terms of this Agreement shall be subject to the Alternative Dispute Resolution (ADR) Process of the Pennsylvania Public Utility Commission as set forth in Appendix 4, hereof, as amended from time to time, by the Pennsylvania Public Utility Commission.

22. Termination Not for Cause.

Upon Western Allegheny's termination of this Agreement, whether Western Allegheny is then in default or not, Western Allegheny shall pay to the Water Company as liquidated damages,

the actual damages being difficult to ascertain, the arrearages for all previous bills not paid through the date of termination, the Total Monthly Charges to be paid from the date of termination hereunder through three years after the date of termination and the actual cost to the Water Company of all capital improvements installed or constructed by or on behalf of the Water Company and specifically required to make the required quantities of water available to Western Allegheny, including, but not limited to the installation of three metering stations, two pumping stations and the installation of approximately 19,000 feet of waterline. Liquidated damages, with the exception of arrearages for previous bills not paid through termination which shall be paid in full, shall be paid according to the following percentages: 100% if termination occurs between the beginning of the first Contract Year and the end of the fifth Contract Year, 57% if termination occurs between the beginning of the sixth Contract Year and the end of the tenth Contract Year and 33% if termination occurs between the beginning of the eleventh Contract Year and the end of the fifteenth Contract Year.

In the event Western Allegheny is in default, the liquidated damages provision in the other Section 20 shall supersede the liquidated damages provision of this section.

23. First Right of Refusal

In the event that Western Allegheny should desire to sell its water system or a portion thereof, including an offer to purchase the water system or a portion thereof by a third party, Water Company shall have the right of first refusal to purchase the assets of Western Allegheny's water system or a portion thereof, and where such offer is made by a third party, on terms no less attractive to Western Allegheny than the terms of the offer to purchase made by the third party.

Water Company's decision to purchase the assets of the water system or a portion thereof, or its decision to refuse to make such purchase shall be made in writing to Western Allegheny within sixty (60) days of receipt of written notice by Water Company of Western Allegheny's proposal to sell the water system or a portion thereof.

24. Representations and Warranties.

24.1 The Water Company represents and warrants that the execution, delivery and performance of this Agreement are within the Water Company's corporate power and will not contravene any provision of law or its articles of incorporation or constitute a default under any agreement binding upon it provided, however, that this Agreement shall be filed with the Pennsylvania Public Utility Commission (PUC) and is subject to review by the PUC.

24.2 Western Allegheny represents and warrants that the execution, delivery and performance of this Agreement are within Western Allegheny's power and had been duly authorized, will not contravene any provision of law or constitute a default under any agreement binding upon it, and do not require the consent or approval of, or registration with, any governmental body or agency.

25. Binding Agreement.

All terms, conditions, rights and obligations of the parties hereto shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns. This agreement shall not be assigned by Western Allegheny without the express written consent of the Water Company.

26. Notices.

All notices, demands, requests, and approvals which may be or are required to be given by any party hereto to the other party shall be in writing (unless otherwise specified in this Agreement) and shall be deemed to have been sufficiently given if deposited in the United States mail, certified or registered, with registration and postal charges prepaid, to the address of the party stated below or to such changed address as such party may have fixed by notice.

To the Water Company:

Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033
Attn: Susan Simms Marsh
Associate Corporate Counsel

To Western Allegheny:

Western Allegheny County Municipal Authority
403 Virginia Drive
Oakdale, PA 15071

provided, however, that any notice of change of address shall be effective only upon receipt.

27. Whole Agreement - Alterations or Amendment.

The whole agreement by the parties hereto is herein written and the parties are not bound by any agreement, understanding, or conditions otherwise than are expressly set forth and stipulated herein. No change, alteration, amendment, modification, or waiver of any of the terms or provisions hereof shall be effective unless the change be in writing and signed by the parties.

28. Laws

The parties recognize and expressly agree that the Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

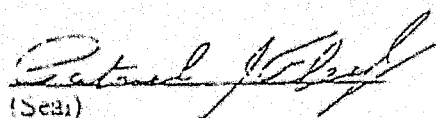
WA-363

29. Counterparts.

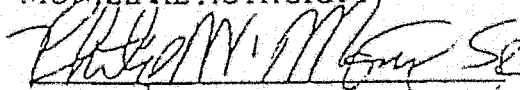
This Agreement may be executed in one or more counterparts, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Western Allegheny and the Water Company have caused this Agreement to be executed by their respective duly authorized officers under their respective seals, as of the day and year first above written.

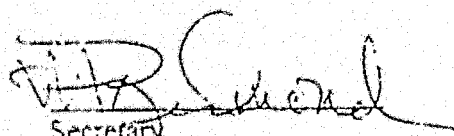
ATTEST:


(Seal)

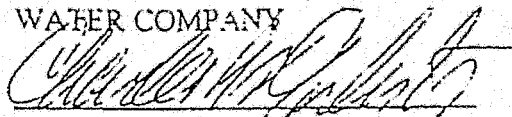
WESTERN ALLEGHENY COUNTY
MUNICIPAL AUTHORITY


Chairman

ATTEST:


Secretary
(Seal)

PENNSYLVANIA-AMERICAN
WATER COMPANY


(Vice) President

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling First Revised Page 9E

RIDER DRS - DEMAND-BASED RESALE SERVICE

applicability

Throughout the territory served under this tariff.

POOR ORIGINAL

availability

This rider is available to a customer that:

- (1) purchases water from the Company for resale;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to maintain a daily load factor of not less than 0.75; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

rate.

(C)

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing With The Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by written order to and granted by the Commission pursuant to 52 Pa. Code 91.24 and the Commission's Order entered June 6, 1996 at Docket No. R-094333. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate "OCA", contemporaneously with their filing with the Commission, subject to the execution of a Confidentiality Agreement.

APPENDIX NO. 2

The rate per 1,000 gallons for the First Contract Year of this Agreement shall be determined as follows

	<u>Gallons</u>	<u>Rate per 1,000 Gallons (1)</u>	<u>Total Monthly Charge</u>
Monthly Customer Charge (1-5" & 2-8" meters)			\$ 2,667
Maximum Day Demand	1,600,000	\$ 9.299	\$14,878
Maximum Hour Demand	70,000	\$118.511	\$ 8,296
Fixed Annual Average Day Demand	1,200,000	\$25.064	\$ 30,077
Commodity Charge	36,500,000	\$ 0.368	<u>\$ 13,432</u>
TOTAL MONTHLY CHARGES			<u>\$ 69,350</u>
Rate Per 1,000 gallons ($\$69,350 / 36,500,000 * 1,000$)			<u>\$ 1.90</u>

(1) Expressed in rates per 1,000 gallons for purposes of the Agreement. Rates in the Water Company's tariff are expressed in rates per 100 gallons.



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Data extracted on: March 19, 2003 (10:53:47 AM)

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0, CUUS0000SA0
Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HA
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	14
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	148.2	14
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	15
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	155.9	15
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	15
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	16
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	16
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	17
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	17
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	17
2003	181.7													

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Data questions: blsdata_staff@bls.gov
Technical (web) questions: webmaster@bls.gov
Other comments: feedback@bls.gov

WA-367

CONSTRUCTION WORK IN PROGRESS

§ 69.371. Rate-making treatment of construction work in progress (CWIP).

(a) When exercising its discretion to include in a utility's rate base the utility's investment in CWIP not completed and placed in public service as of the date new base rates become effective, the Commission will consider whether the CWIP projects are the following:

- (1) Reasonably identifiable as nonrevenue producing.
- (2) Reasonably identifiable as nonexpense recording.
- (3) Reasonably shown to be necessary to improve environmental conditions or safety, upgrading facilities, or required to convert facilities to the utilization of coal.
- (4) Reasonably certain to be completed within the first 6 months the new base rates will be in effect.

(b) A CWIP project qualifies as nonrevenue producing and nonexpense recording if any revenue generated by, or reduction in expenses resulting from, the CWIP project is passed through to customers on a current basis.

Source

The provisions of this § 69.371 adopted May 19, 1965, effective May 20, 1965, 25 P.U.B. 1967.

ALTERNATIVE DISPUTE RESOLUTION (ADR) PROCESS

§ 69.391. General.

The Commission's policy and regulations encourage parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation. To further promote the goal of obtaining negotiated settlements in the public interest, the Commission has adopted guidelines that will offer the parties in certain contested proceedings the option of an ADR process before an experienced mediator.

Source

The provisions of this § 69.391 adopted March 4, 1994, effective March 17, 1994, 24 P.U.B. 1995.

§ 69.392. Availability of mediation process.

(a) *Mediation.* Mediation is available to parties in all contested proceedings, or proceedings which could be contested, when the proceeding qualifies for mediation. A proceeding qualifies for mediation when mediation is deemed appropriate by the Office of Administrative Law Judge (OALJ).

(b) *Requesting mediation.*

(1) Parties may request mediation, prior to the commencement of a proceeding, by sending a letter request to the Mediation Coordinator of OALJ, and a copy of the request to the Secretary of the Commission.

69-72

Oct. 2, 1997 No. 300 1-20-00

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- (2) Parties may request mediation in their pleadings.
- (3) Parties may request mediation during the course of a proceeding.
- (4) *Consent to use mediation process.* The OALJ may notify the parties in a proceeding that mediation may be appropriate and ask whether the parties consent to use the mediation process.
- (5) *Party with the burden of proof.*
 - (i) Except as otherwise directed by the Commission, there can be no mediation unless the party with the burden of proof consents to mediate.
 - (ii) When the party with the burden of proof consents to mediation in proceedings subject to a statutory deadline for adjudication, that party must also agree in writing to extend the statutory deadline by at least 60 days.
- (6) *Assignment by Commission.* The Commission may assign a case to the OALJ for mediation.

Source

The provisions of this § 69.393 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended May 19, 1995, effective May 20, 1995, 25 Pa.B. 1966; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial pages (24)3241 to (24)3251.

§ 69.393. Assignment and role of mediator.

If the Commission assigns a case for mediation, or OALJ determines that a case should go forward with mediation, OALJ will assign a mediator to the proceeding. The mediator's role will be to facilitate settlement of the contested issues between, or among, the parties, as opposed to rendering a decision.

Source

The provisions of this § 69.393 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page (24)3251.

§ 69.394. Notice.

- (a) If the Commission assigns a case for mediation, or the Office of Administrative Law Judge (OALJ) determines that a proceeding should go forward with mediation, the parties will be notified of the time, date, and place of the mediation session, as well as the name, address, and telephone number of the mediator.
- (b) If the OALJ determines that the proceeding should not be set for mediation, the parties will be notified of this as well as the procedure to be used in lieu of mediation.

Source

The provisions of this § 69.394 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205; amended October 29, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page (24)3251.

69-73

(20)2177 No. 502 Jan. 94

§ 69.395. Rules.

(a) For cases in which hearings must be commenced within 90 days, a party's request for mediation shall be construed as a waiver of that requirement.

(b) The participants in a mediation proceeding must agree to abide by mediation rules and procedures established by the Office of Administrative Law Judge. Failure to abide by these rules and procedures, following commencement of mediation, could lead to the termination of the mediation.

Source

The provisions of this § 69.395 adopted March 4, 1994, effective March 15, 1994, 24 Pa.B. 1205, amended October 20, 1999, effective October 30, 1999, 29 Pa.B. 5616. Immediately preceding text appears at serial page 174,325.

§ 69.396. Conclusion of mediation.

(a) When an agreement is reached in a formal complaint proceeding, the complaint may be withdrawn, unless otherwise provided for by law or regulation.

(b) When appropriate, the mediator should submit a report to an administrative law judge, or the Commission. The report will describe only the procedural background and the result of the mediation.

Source

The provisions of this § 69.396 adopted October 20, 1999, effective October 30, 1999, 29 Pa.B. 5616.

§ 69.397. Flexibility.

To ensure maximum flexibility, the rules and procedures used in mediation are subject to modification as deemed appropriate to facilitate a resolution of a dispute.

Source

The provisions of this § 69.397 adopted October 20, 1999, effective October 30, 1999, 29 Pa.B. 5616.

SETTLEMENT GUIDELINES AND PROCEDURES FOR MAJOR RATE CASES—STATEMENT OF POLICY

§ 69.401. General.

In the Commission's judgment, the results achieved from a negotiated settlement of stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402-69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements, as well as stipulations, in major section 1308(d) general rate increase cases.

69.402

12/12/18, No. 002, Vol. 00

COURTESY OF THE PUBLIC UTILITY COMMISSION

PUC LATE-FILED EXHIBITS

Docket No. C-20030092

Hearing Date 1-21-04

Judge Nene for Gesoff

Hearing held in Pittsburgh

Exhibit No. MATR 1, 2, 3, 4, 5, 5-A, 6, 7, 11, 11-A, 11-B, 12, 14
PAWC STMT 1 w/EX 1A + 1B + 1C, STMT 2, STMT 3 w/EX 3-A

Reporter Barbara Spin

WACMA
1 + 2

1. Above exhibit to be supplied to reporter by:

2. Above exhibit to be filed directly with PUC by:

Additional Comments:

Please add to exhibit file

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COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF THE:
TOWNSHIP OF ROBINSON,

Complainant - Petitioner,

vs.

PENNSYLVANIA AMERICAN WATER
COMPANY,

Respondent..

No. C-20030092

DOCUMENT
FOLDER

TRANSCRIPT OF DIRECT TESTIMONY OF RAYMOND H. ANTONELLI,
SR., P.E., taken in the above-entitled matter,
stenographically taken by William Schock, Court Reporter, at
3:05 p.m., Thursday, October 9, 2003, at the law offices of
Yukevich, Marchetti, Liekar & Zangrilli, 11 Stanwix Street,
Suite 1024, Pittsburgh, Pennsylvania 15222.

DOCKETED
MAR 09 2004

RECEIVED
2004 FEB 18 AM 9:50
SECRETARY'S BUREAU

MATR-EX 2
C-20030092
1-21-04
PITTS
BAS

SCHOCK REPORTING SERVICE
SUITE 900 ALLEGHENY BUILDING
PITTSBURGH, PENNSYLVANIA 15219
(412) 261-5377

EXHIBIT

MATR HEARING

2

1 APPEARANCES:

2 ALBERT J. ZANGRILLI, ESQ., Yukevich,
3 Marchetti, Liekar & Zangrilli, 11 Stanwix Street, Suite 1024,
4 Pittsburgh, Pennsylvania 15222, appearing on behalf of the
5 Complainant-Petitioner.

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Q. State your full name.

Q. Are you employed?

Q. Where are you currently employed?

Q. What position do you hold with NIRA Consulting Engineers, Inc., which I will refer to as "NIRA"?

Q. State your educational background.

A. Stowe High School, Pittsburgh Academy Prep School, Triangle Technical School for drafting and engineering and related subjects and the University of Pittsburgh for approximately two plus years.

Q. Are you a registered professional engineer in the Commonwealth of Pennsylvania?

A. Yes.

Q. How long have you been so registered?

A. Since 1982 or 21 years.

Q. Trace your employment history with respect to engineering experience in water treatment and

1 distribution.

2 A. Swindell Dressler Corporation, 1957 to 1959; Green
3 International Engineering Company, 1959 to 1975; NIRA
4 Consulting Engineers, Inc., 1975 to present.

5 Q. For how many municipal authorities engaged in water
6 treatment and/or water distribution does NIRA
7 currently provide consulting engineering services?

8 A. Seven.

9 Q. Can you provide the names of these clients and for
10 how long NIRA has served these clients?

11 A. Ambridge Water Authority, 17 years; Findlay Township
12 Municipal Authority, 9 years; Conway Borough, 24
13 years; Municipal Authority of the Township of
14 Robinson, 21 years; Wilkinsburg-Penn Joint Water
15 Authority, 13 years; Oakmont Water Authority, 6
16 years; Harrison Township Water Authority, 17 years.

17 Q. Have you provided similar professional engineering
18 services to other water treatment and/or water
19 distribution authorities or municipalities in the
20 past?

21 A. Yes.

22 Q. Can you provide the names of these municipalities
23 and/or authorities and for how long you were their
24 consulting engineer?

25 A. Coraopolis Borough, 1977 to 2002; 24 years.

1 Q. Do you have personal experience in the design and
2 supervision of construction of water treatment
3 plants?

4 A. Yes.

5 Q. Do you have personal experience in the design and
6 supervision of construction of water distribution
7 systems?

8 A. Yes.

9 Q. For how long have you been the consulting engineer
10 for the Municipal Authority of the Township of
11 Robinson, which I will refer to as "MATR"?

12 || A. Twenty-one years.

13 Q. Approximately how much of MATR's current water
14 treatment facility did NIRA design?

15 A. Seventy-five percent.

16 Q. Approximately how much of MATR's current water
17 distribution system did NIRA design?

18 A. Approximately 70 percent.

19 Q. With respect to each, did your work involve the
20 supervision of the construction of those facilities?

21 A. Yes. Our firm has consistently provided supervision
22 as well as inspection services for our design work as
23 well as providing inspection services for developers
24 involved in the construction of water facilities
25 within Robinson Township.

1 Q. In your capacity as consulting engineer for the
2 various authorities and municipalities that you have
3 mentioned, do you prepare draft budgets for these
4 authorities and for how many of them?

5 A. Yes, as Consulting Engineers to our various
6 authorities we are usually required by the Trust
7 Indenture to prepare Annual Reports and Operating
8 Budgets. We provide this service to practically all
9 of the authorities we serve.

10 Q. Do these budgets contain or involve calculations and
11 recommendations of rate increases when the elements
12 of each budget so require?

13 A. Yes.

14 Q. Do you calculate the precise amount of rate increase
15 required by each budget?

16 A. Yes.

17 Q. How many interconnections currently exist between
18 MATR and the Western Allegheny County Municipal
19 Authority, which I will refer to as "WACMA"?

20 A. Two.

21 - - -

22 (Whereupon, Exhibit

23 Antonelli-1 was marked for
24 identification.)

25 - - -

1 BY MR. ZANGRILLI:

2 Q. I am showing you a document marked Exhibit
3 Antonelli-1 and this exhibit is captioned "Western
4 Allegheny County Municipal Authority Water
5 Distribution Map" (February 2003).

6 Does this exhibit fairly depict the location of the
7 two interconnects between the MATR and WACMA water
8 systems?

9 A. Yes.

10 Q. When were the two interconnects constructed?

11 A. The original eight-inch interconnect was constructed
12 in approximately 1965. The 12-inch interconnect was
13 constructed in 2001.

14 Q. What are the water transmission capabilities of each
15 interconnect?

16 A. The eight-inch interconnect is capable of more than
17 one million gallons per day when pumping is utilized.
18 The new 12-inch interconnect should be capable of two
19 million or more gallons per day when pumping is
20 utilized.

21 Q. Did NIRA design any of these interconnects? Did NIRA
22 supervise the construction of any of these
23 interconnects?

24 A. Yes as to both questions.

25 Q. Can you identify improvements made to the MATR system

1 in order to serve WACMA?

2 A. In 2001 MATR constructed a new 12-inch water line
3 along Mobay Road a distance of about 1,600 feet. The
4 new 12-inch line was connected to the existing
5 eight-inch WACMA Interconnect. The new 12-inch pipe
6 was also extended an additional 2,400 feet as part of
7 the McMetro Commercial Development Project. This
8 additional extension made it possible to construct
9 the second metered connection to the WACMA System.

10 Q. What were the approximate costs to construct each?

11 A. \$121,595.68 in construction costs and approximately
12 \$24,000.00 in engineering and administrative costs
13 for the new 12-inch interconnect.

14 The original eight-inch line serving WACMA, based on
15 old maps, indicate a date of around 1965. The cost
16 of this original line is not known.

17 Q. What are the production capabilities of MATR's water
18 treatment plant?

19 A. Six million gallons per day.

20 Q. What interconnections does MATR have with other water
21 suppliers?

22 A. One interconnection with Coraopolis Borough and one
23 with the Moon Township Municipal Authority. Three
24 interconnects with the Pennsylvania-American Water
25 Company.

- 1 Q. Mr. Antonelli, hereafter I am going to refer to the
2 Pennsylvania-American Water Company as "PAWC".
3 What is the transmission capability of each
4 interconnect between these water providers?
- 5 A. Coraopolis Borough, 700,000 gallons per day; Moon
6 Township authority, 1,000,000 gallons per day; PA
7 American Water Company, 1,800,000 gallons per day.
- 8 Q. Are you familiar with the WACMA distribution system?
- 9 A. Yes, in a general way.
- 10 Q. Do you know how water purchased from MATR is
11 distributed within the WACMA system?
- 12 A. MATR supplies water to WACMA via gravity connections
13 from MATR's Water Storage Facilities. During periods
14 of high demand within the WACMA System, WACMA must
15 utilize their booster pumping stations in order to
16 sustain adequate water storage levels. WACMA can
17 however continuously draw water from MATR's system
18 without the need to rely on their booster pump
19 stations.
- 20 Q. Can you explain the hydraulic gradient of the WACMA
21 system in terms of the distribution of water supplied
22 by MATR?
- 23 A. The WACMA Distribution System normally operates at a
24 hydraulic gradient below the hydraulic gradient of
25 MATR. The hydraulic gradient of MATR's system could

1 supply most or all of WACMA's system by gravity if
2 WACMA's Transmission and Distribution System was
3 upgraded to take advantage of this available
4 hydrostatic pressure.

5 Q. Can you explain the hydraulic gradient of the WACMA
6 system in terms of the distribution of water to be
7 supplied by PAWC pursuant to the WACMA-PAWC
8 Agreement?

9 A. The hydraulic gradient of the PAWC System in the
10 WACMA/Robinson Service Area is not capable of
11 supplying water to WACMA without the need to
12 continuously pump into the WACMA System. All three
13 of the interconnects between MATR and PAWC require
14 pumping. The only area of the WACMA System which I
15 am aware of which can be served without the need for
16 pumping is the Oakdale Area which is located in the
17 southern most sector of WACMA's System.

18 - - -

19 (Whereupon, Exhibit
20 Antonelli-2 was marked for
21 identification.)

22 - - -

23 BY MR. ZANGRILLI:

24 Q. I show you Exhibit Antonelli-2 and ask you to
25 identify this Exhibit.

- 1 A. This is a United States Geological Survey Topographic
2 Map showing several U.S.G.S. 7.5 minute quads.
- 3 Q. Does this exhibit show the location of the various
4 municipalities we have been talking about; namely,
5 Robinson Township, North Fayette Township, Moon
6 Township and Coraopolis Borough, among others?
- 7 A. Yes.
- 8 Q. Does this exhibit show the topography of these
9 municipalities?
- 10 A. Yes.
- 11 Q. Does this exhibit provide the topographical data you
12 utilized in your discussions of hydraulic gradients
13 in your earlier answers?
- 14 A. Yes.
- 15 Q. Are you able to express an opinion as to whether MATR
16 will be able to compete with PAWC to be WACMA's water
17 supplier at the expiration of the WACMA-PAWC
18 Agreement; that is, within 15 years?
- 19 A. Yes.
- 20 Q. What is your opinion and what is the basis for your
21 opinion?
- 22 A. Because WACMA would likely represent an even larger
23 portion of MATR's overall Water System at the
24 expiration of the WACMA-PAWC Agreement, MATR would
25 not likely have sufficient capacity to serve WACMA

1 unless planning and infrastructure improvements were
2 being made in anticipation of providing such service.
3 Without the benefit of a long-term Service Agreement
4 MATR could not afford to make the necessary
5 improvements and would therefore not be prepared to
6 provide service at the expiration of the WACMA-PAWC
7 Agreement when WACMA's consumptive demands will be
8 even greater because of the growth of North Fayette
9 Township.

10 Q. Can you form an opinion as to whether WACMA can
11 maintain the daily load factor of .75 during the term
12 of its agreement with PAWC?

13 A. Yes.

14 Q. What is your opinion and what is the basis for your
15 opinion?

16 A. Maintaining a daily load factor of .75 could be a
17 problem since the major portion of WACMA's water
18 distribution load is located in the Northern Sector
19 of North Fayette Township where the MATR and the Moon
20 Township Municipal Authority Water Systems have
21 historically supplied water to North Fayette. WACMA
22 distribution and transmission capabilities are
23 concentrated in the Northern Tier. Therefore,
24 interruptions of service from water line breaks in
25 the piping system coming from the South would affect

1 the largest segment of the system population. Under
2 such circumstances WACMA would need to look at MATR's
3 and MTMA's emergency interconnects for water. During
4 these periods it is likely that the load factor could
5 not be maintained.

6 Q. Have you had an opportunity to read the Water Sales
7 Agreement between PAWC and WACMA dated March 22,
8 2003?

9 A. Yes.

10 - - -

11 (Whereupon, at 3:35 p.m., the
12 direct testimony of Raymond H.
13 Antonelli, Sr., P.E. was
14 concluded.)

15 - - -

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WA-3

UPDATED : FEBRUARY 1999 Victor Murphy

OVER SIZED DOCUMENTS

WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

WATER DISTRIBUTION MAP
NORTH FAYETTE TWP., ALLEGHENY CO., PA

February 2003

SCALE : 1"=1400'

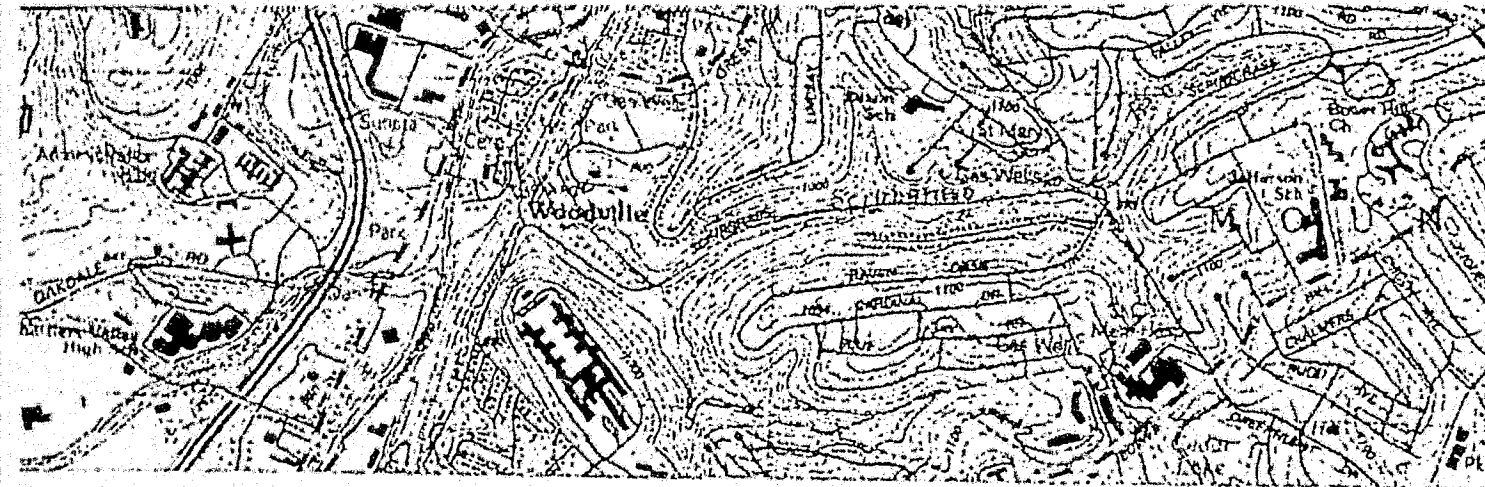
SHEET NO. 1 of 1

EXHIBIT

ANTONELLI - J

PLOT SCALE :

PLOT DATE : 04/01/03



OVER SIZED DOCUMENTS

U.S.G.S. Topographic Map

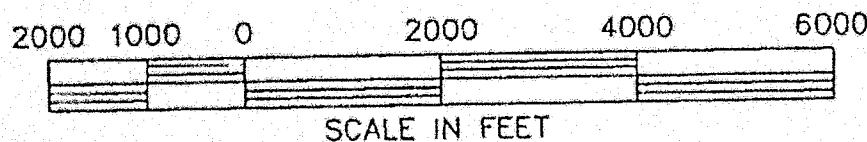
THIS MAP IS A COPULATION OF SEVERAL U.S.G.S. 7.5 MINUTE QUADS
AMBRIDGE
CLINTON
CANONSBURG
EMSWORTH
OAKDALE
PITTSBURGH WEST

DATE: SEPT., 2003
DWN BY: JfC
CHK. BY: R.H.A.

PREPARED BY

NIRA Consulting Engineers, Inc.

950 FIFTH AVENUE
CORAOPOLIS, PA 15108



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EXHIBIT

ANTONELLI - 2

CERTIFICATION OF DOCUMENTS

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SECRETARY'S BUREAU

PENNSYLVANIA, SS:

I, Cathy Myers, Deputy Secretary, Department of Environmental Protection, Commonwealth of Pennsylvania, by virtue of the powers and duties vested in me by Kathleen McGinty, Secretary of Environmental Protection, and pursuant to Sections 213 and 505 of the Administrative Code of 1929 and 42 Pa. C.S. Section 6103 relating to proof of official records by certification of the legal custodian thereof, do HEREBY CERTIFY AS FOLLOWS:

1. I am the legal custodian of the original of the Annual Water Supply Reports of the Western Allegheny County Municipal Authority for calendar years 1988 to and including 2002, submitted by Western Allegheny County Municipal Authority to the Department of Environmental Protection pursuant to 25 Pa. Code 109.701(b)(2). The Annual Water Supply Reports are official records of the Commonwealth of Pennsylvania, Department of Environmental Protection, and
2. The documents attached hereto are true and correct copies of the documents described above, as evidenced by my signature and official seal of office affixed hereby.

DOCUMENT
FOLDER

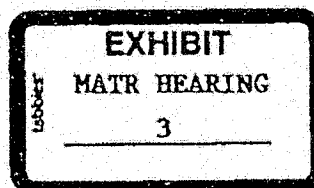
DOCKETED
MAR 09 2004

IN TESTIMONY WHEREOF, on this 16
day of January, 2004
I have hereunto set my hand and caused the
seal of the Department of Environmental
Protection to be affixed.

Kathleen McGinty

Cathy Myers
Deputy Secretary
Department of Environmental Protection

MARK 443
C-20030092
1-21-04
PITS
BAS



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATERSHED MANAGEMENT
BUREAU OF WATER SUPPLY AND WASTEWATER MANAGEMENT

WUDS_PFI	1	8	7	5	3
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ANNUAL WATER SUPPLY REPORT

RETURN BY MARCH 31:

Department of Environmental Protection
Bureau of Watershed Management
PO Box 8555
Harrisburg PA 17105-8555

REPORT FOR CALENDAR YEAR JAN 1 TO DEC 31, 2002

TOTAL WATER USE - including purchased water

[illegible]

AVERAGE DAILY WATER USE - including purchased water

[illegible]

PEAK DAY WATER USE FOR REPORT YEAR

Date

8	/	10	/	200	2
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MINIMUM DAY WATER USE FOR REPORT YEAR

Date

4	

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5	

 /

2	0

 /

2	0

 /

2	0

»WSID	50	200	34	Population Served

Population Served	11	2	8	7	1
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Complete for Address Change Only

Company Name

MailCnl	61	Zip3Cnl	46	Zip5Cnl	2

46 Zn5Cn

61 Zip3Cnl

MailChimp

	OTHERID	PWSID	WUDSID	SITEID	MUNIC
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WUDSID SITEID

PWSID	WUDSID
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OTHERID

101092-00	5020034	281097	262415	02911
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281097 / 262415

5020034 / 281097

101092-00

WESTERN ALLEGHENY CNTY MUNI AU

403 VIRGINIA DR

OAKDALE

PA 15071-9105

Did you verify the accuracy of this address change at the United States Postal Service web site <http://www.usps.gov/zlp47>? See instructions for more details.

☐ Yes ☐ No ☐ Not Available

EXHIBIT

MATR HEARING

WA-6

OWNERSHIP

(Check One)

☒ Authority☐ Authority (Municipality operates)☐ Municipal☐ Investor - PUC☐ Other _____☐ Institution - Military☐ Institution - Health☐ Institution - Recreation☐ Institution - Education☐ Apartment☐ Association☐ Mobile Home Park☐ Institution - Correction

AVERAGE DAILY WATER USE- MUST BE COMPLETED!

TYPE	METERED CONNECTIONS				UNMETERED CONNECTIONS			
	NUMBER		WATER USE (GPD)		NUMBER		WATER USE (GPD)	
	1	2	1	2	1	2	1	2
Domestic	3	517		722		937		
Commercial		398		217		610		
Industrial		26		12		047		
Institutional		41		58		590		
Bulk Sales to other PWS								
Other ³								
Unaccounted For Water ⁴				340		583		
	3	982		1351		767		

1. The Total Number of Metered and Nonmetered Connections by Type should equal the Total under the Present Number of Connections Served.

2. Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal Average Daily Water Use on Page 1.

3. Explain "Other" connections

4. Unaccounted For Water (Leakage, Fire, etc....) is the difference between the water produced and the water used by customers.

This page does not apply to this system.

Capacities, GPD

WA-10

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

This page does not apply to this system.

WUDSID	Name of Water Supplier	Average Daily Water Transferred, GPD		Maximum Water Transfer Capability, GPD	
		Purchase From	Sale To	From	To
37944	DARDALE BORO	[][] , [][] , [][] Days Use [][]	[][] , [][] 7 , [][] 19 Days Use [][] 65	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code S S	[][] , [][] 27 , [][] 0 Use Code S S
18751	MOON TWP MUNI AUTH	[][] , [][] 263 , [][] 655 Days Use [][] 65	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code S S	[][] , [][] 72 , [][] 0 Use Code S S
18720	PAJMER WATER CO PITTSBURGH DI	[][] , [][] 13 , [][] 186 Days Use [][] 65	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code S S	[][] , [][] 10 , [][] 0 Use Code S S
18748	FINDLAY TWP WATER AUTH	[][] , [][] , [][] , [][] Days Use [][] 0	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code N N	[][] , [][] 15 , [][] 0 Use Code N N
18756	ROBINSON TWP MUNI AUTH	[][] 1 , [][] 074 , [][] 926 Days Use [][] 65	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] 800 , [][] 000 Use Code S S	[][] , [][] 50 , [][] 0 Use Code S S
		[][] , [][] , [][] , [][] Days Use [][]	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code [][]	[][] , [][] , [][] , [][] Use Code [][]
		[][] , [][] , [][] , [][] Days Use [][]	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code [][]	[][] , [][] , [][] , [][] Use Code [][]
		[][] , [][] , [][] , [][] Days Use [][]	[][] , [][] , [][] , [][] Days Use [][]	Metered? Y ☐ N ☐ [][] , [][] , [][] , [][] Use Code [][]	[][] , [][] , [][] , [][] Use Code [][]

RAW WATER

This page does not apply to this system.

20884

2002

WATER STORAGE FACILITIES

This page does not apply to this system.

TREATED WATER

[illegible]

				L	500,	000
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METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

What is the average age of existing meters? 1 9 Years ☒ Yes ☐ No

Are you currently installing meters at new connections? ☒ Yes ☐ No

Are you currently installing meters at unmetered connections? ☒ Yes ☐ No

Is there an active meter replacement program for your water system? ☒ Yes ☐ No

How many meters did you replace during the report year? 1 6 2 ☒ Yes ☐ No

Did you provide water conservation information to your customers during the report year? ☒ Yes ☐ No

What is the type, size (inches), and length of new pipe installed as an extension to your present system during the report year?

DUCTILE IRON 4", 6", 8", 10" and 12" 14, 130 FEET

What is the frequency of flushing the distribution system during the past year? 2

Did you work your hydrants during the report year? ☒ Yes ☐ No

Did you work the valves in the system during the report year? ☒ Yes ☐ No

Does your system have an active leak detection program? ☒ Yes ☐ No

What type of equipment or methods do you use for leak detection?

GEOPHONES, SOUND HYDRANTS, VALVES AND SERVICE LINES.

Does your system have a cross-connection control program? ☒ Yes ☐ No

Has the water pressure been inadequate in any part of the system? ☐ Yes ☒ No

If yes, explain

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Do you have access to or use a personal computer in any aspect of operation of your water system? ☒ Yes ☐ No

Do you use any of the following Microsoft products? Word ☒ Y ☐ N Excel ☒ Y ☐ N Access ☐ Y ☐ N

Do you have access to the Internet? ☐ Yes ☒ No Method

Would you complete an Annual Water Supply Report if you could download it from the Internet, fill it out electronically, and return it via email? ☒ Yes ☐ No

Would you complete an Annual Water Supply Report if it was available as a web form on the Internet? ☒ Yes ☐ No

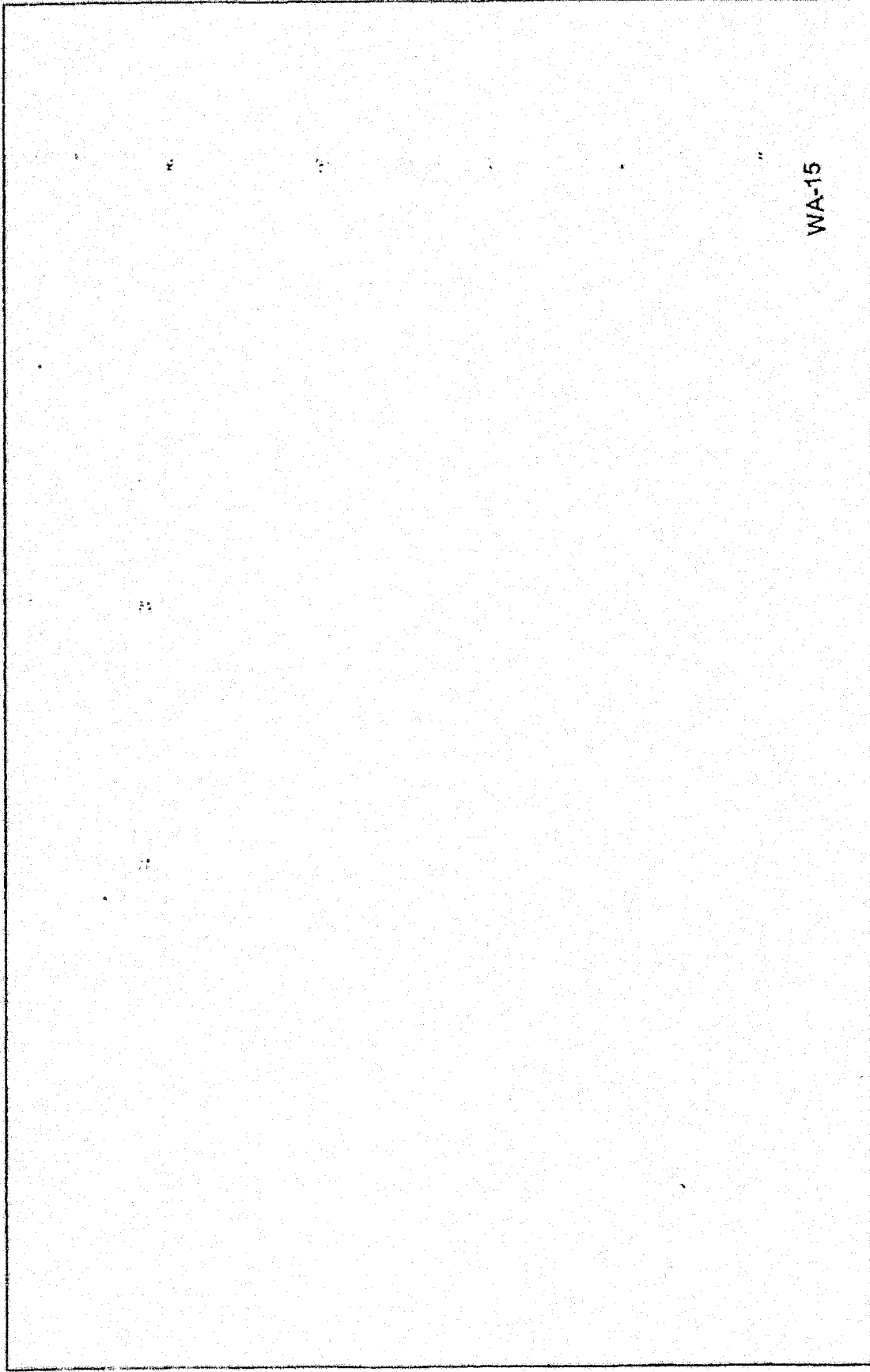
Would you be interested in providing information to DEP using Electronic Data Interchange (EDI)? ☒ Yes ☐ No

Should the following forms processed by the Division of Water Use Planning be converted to a similar format?

Daily Surface Water Withdrawal and Release Form ☒ Yes ☐ No SRBC Registration Form

Water Allocation Permit Compliance Report Form ☒ Yes ☐ No DRBC Annual Water Withdrawal Report Form ☒ Yes ☐ No

Describe major system changes such as purchases and transfers. For new facilities, please identify location on a topographic map. Use separate sheet if necessary. See instructions.



WA-15

1. Person Preparing Report

Signature

Michael P. Lawrence

Each Public Water Supply system is required to submit an overall system map. ☒ Yes
 Please read the map requirements on page 3. Has a map been submitted either
 last year or this year in fulfillment of the requirement? ☐ No

First Name										Last Name										Title																									
P	O	N	A	L	D					P	U	S	E	N	I	C	N	I	K		S	H	P	E	R	I	N	T	E	N	D	A	N	F											
Number & Street Address										City										State																									
4	0	3								V	I	R	G	I	N	I	A			O	A	K	D	A	I	E																			
Home Phone Number (Include Area Code)										Office Phone Number (Include Area Code)										Fax Phone Number (Include Area Code)																									
1	5	0	7	1	-	9	1	0	5	7	2	4	-	6	9	5	-	3	1	9	9	4	1	2	-	7	8	8	-	4	3	3	7	4	1	2	-	7	8	8	-	0	7	8	8
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAILADDRESS																																													
S; H; O; P; @; W; A; ; M; A; . N; E; T;																																													

2. Person to Contact About Report (8 am - 4 pm)

Same as 1. ☒ Yes Do not complete if same as 1.

First Name										Last Name										Title									
Number & Street Address										City										State									
Home Phone Number (Include Area Code)										Office Phone Number (Include Area Code)										Fax Phone Number (Include Area Code)									
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAILADDRESS																													

3. Responsible Agent or Official

Same as ☐ 1. ☐ 2. Do not complete if 1 or 2 is checked

First Name										Last Name										Title																									
P	I	I	L	I	P					W	M	O	R	R	I	S	S	R		C	H	A	I	R	M	A	N																		
Number & Street Address										City										State																									
4	1	3								V	I	R	G	I	N	I	A			O	A	K	D	A	I	E																			
Home Phone Number (Include Area Code)										Office Phone Number (Include Area Code)										Fax Phone Number (Include Area Code)																									
1	5	0	7	1	-	9	1	0	5	7	2	4	-	9	2	6	-	9	7	6	4	4	1	2	-	7	8	8	-	4	3	3	7	4	1	2	-	7	8	8	-	0	7	8	8
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAILADDRESS																																													



ANNUAL WATER SUPPLY REPORT

RETURN BY MARCH 31:

Department of Environmental Protection
Bureau of Watershed Management
PO Box 8555
Harrisburg PA 17105-8555

REPORT FOR CALENDAR YEAR JAN 1 TO DEC 31,	20	01
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TOTAL WATER USE - Including purchased water

AVERAGE DAILY WATER USE - including purchased water

PEAK DAY WATER USE FOR REPORT YEAR

MINIMUM DAY WATER USE FOR REPORT YEAR

PWSID	50	20	03	4
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Population Served					
			1	7	502

District, Division or System

Mark if Address Change and Complete Entire Address Below ☐

Company Name

Number & Street Address (Primary)

Number & Street Address (Secondary if required)

City

State	Zip Code
-------	----------

Zip Code

Did you verify the accuracy of this address change at the United States Postal Service web site <http://www.usps.gov/zlp4?> See instructions for more details.

☐ Yes ☐ No ☐ Not Available

MailCnt	62	Zip3Cnt	47	Zip5Cnt	2
OTHERID	PWSID	WUDSID	SITEID	MUNIC	
101092	/ 5020034	/ 281097	/ 262415	/	02911

WESTERN ALLEGHENY CNTY MUNI AU

403 VIRGINIA DR

OAKDALE

PA 15071-9105

WA-17

OWNERSHIP

(Check One)

- ☒ Authority
☐ Authority (Municipality operates)
☐ Municipal
☐ Investor - PUC
☐ Other
- ☐ Institution - Military
☐ Institution - Health
☐ Institution - Recreation
☐ Institution - Education
- ☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Institution - Correction

AVERAGE DAILY WATER USE

TYPE	METERED CONNECTIONS				UNMETERED CONNECTIONS			
	NUMBER ¹		WATER USE (GPD) ²		NUMBER ¹		WATER USE (GPD) ²	
Domestic								
Commercial								
Industrial								
Institutional								
Bulk Sales to other PWS								
Other ³								
Unaccounted For Water ⁴								

- The Total Number of Metered and Nonmetered Connections by Type should equal the Total under the Present Number of Connections Served
- Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal Average Daily Water Use on Page 1.
- Explain "Other" connections

- Unaccounted For Water (Leakage, Fire, etc....) is the difference between the water produced and the water used by customers.

WUDS_PFIID	1	8	7	5	3
------------	---	---	---	---	---

PRESENT NUMBER OF CONNECTIONS SERVED

[illegible]

Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter.) ☐ Yes ☒ No If no, complete Multiple Unit Column

*** The name of the each municipality (city, borough or township) where the water system is providing water service should be listed. Do not list the name of a mobile home park, water association, etc.



DAILY OUTPUT OF THE WATER SYSTEM SOURCES STREAM, RESERVOIR INTAKES, SPRINGS, QUARRY, INFILTRATION GALLERY

WUDSID	Source Name	Average Daily Withdrawal, GPD		Capacities, GPD	
	N/A				
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
Type	Metered ☐ Y ☐ N	Days Use		Yield	Permit
TOTALS				Yield	Permit
				Intake	

DAILY OUTPUT OF THE WATER SYSTEM SOURCES

WELLS AND RANNEY COLLECTORS

WUDSID	Source Name	Average Daily Withdrawal, GPD	Days Use	Capacities, GPD			
	N/A						
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
Depth, FT	Diameter, IN	WL Measured	Y O N	Yield		Permit	
				Pump		Metered	Y O N Use Code
TOTALS				Yield			
				Pump			
				WA-21			

0

.63273 This page does not apply to this system.

O

WUDS_PFD 18753

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

WUDSID	Name of Water Supplier	Average Daily Water Transferred, GPD		Maximum Water Transfer Capability, GPD	
		Purchase From	Sale To	From	To
37944	WANDALE BORO	Days Use 3 6 5	Days Use 1 1 7 5 6	Metered? ☒ Y ☐ N	Use Code 5
18748	FINDLAY TWP WATER AUTH	Days Use 0	Days Use 0	Metered? ☐ Y ☐ N	Use Code 1 5 0 0 0 0
18751	MOON TWP MUNI AUTH	Days Use 4 1 8 0 0 0	Days Use 0	Metered? ☒ Y ☐ N	Use Code 7 2 0 0 0 0
18720	PA AVER WATER CO PITTSBURGH OI	Days Use 1 9 0 0 0	Days Use 0	Metered? ☐ Y ☐ N	Use Code 1 0 0 0 0 0
18756	ROBINSON TWP MUNI AUTH	Days Use 8 5 1 0 0 0	Days Use 0	Metered? ☒ Y ☐ N	Use Code 1 5 0 0 0 0
		Days Use	Days Use	Metered? ☐ Y ☐ N	Use Code
		Days Use	Days Use	Metered? ☐ Y ☐ N	Use Code
		Days Use	Days Use	Metered? ☐ Y ☐ N	Use Code
		Days Use	Days Use	Metered? ☐ Y ☐ N	Use Code
TOTALS		1 2 8 8 0 0 0	1 1 7 5 6		

Page 6.

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WATER STORAGE FACILITIES

RAW WATER

[illegible]

WATER STORAGE FACILITIES

TREATED WATER

[illegible]

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

What is the average age of existing meters?

19 Years

Are you currently installing meters at new connections?

☒ Yes ☐ No

Are you currently installing meters at unmetered connections?

☒ Yes ☐ No

Is there an active meter replacement program for your water system?

☒ Yes ☐ No

How many meters did you replace during the report year?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6

Did you provide water conservation information to your customers during the report year?

☒ Yes ☐ No

What is the type, size (inches), and length of new pipe installed as an extension to your present system during the report year?

DUCTILE IRON 6" & 10" 11,200 FEET

What is the frequency of flushing the distribution system during the past year?

☐ 1 ☒ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6

Did you work your hydrants during the report year?

☒ Yes ☐ No

Did you work the valves in the system during the report year?

☒ Yes ☐ No

Does your system have an active leak detection program?

☒ Yes ☐ No

What type of equipment or methods do you use for leak detection?

GEOPHONES, SOUNDING HYDRANTS, MAIN VALVES AND SERVICE CONNECTIONS

Does your system have a cross-connection control program?

☒ Yes ☐ No

Has the water pressure been inadequate in any part of the system?

☒ Yes ☐ No

If yes, explain

RUPTURED MAINS CAUSED LOSS OF SERVICE AND LOW PRESSURES OCCASIONALLY THROUGHOUT THE SYSTEM DURING THE YEAR

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Do you have access to or use a personal computer in any aspect of operation of your water system?

☒ Yes ☐ NoDo you use any of the following Microsoft products? Word ☒ Y ☐ N Excel ☒ Y ☐ N Access ☐ Y ☒ N

Do you have access to the Internet?

☐ Yes ☒ No

Method

Would you complete an Annual Water Supply Report if you could download it from the Internet, fill it out electronically, and return it via email?

☒ Yes ☐ No

Would you complete an Annual Water Supply Report if it was available as a web form on the Internet?

☒ Yes ☐ No

Would you be interested in providing information to DEP using Electronic Data Interchange (EDI)?

☒ Yes ☐ No

Should the following forms processed by the Division of Water Use Planning be converted to a similar format?

Daily Surface Water Withdrawal and Release Form ☒ Yes ☐ No SRBC Reclamation FormWater Allocation Permit Compliance Report Form ☒ Yes ☐ NoDRBC Annual Water Withdrawal Report Form ☒ Yes ☐ No

1. Person Preparing Report

Signature

Ronald P. Plamondon

First Name Last Name

R O N A L D P L A M O N D O N

Number & Street Address

403 VIRGINIA DRIVE

Zip Code

15126 - 9105

Home Phone Number (Include Area Code) 724 - 695 - 3199

Office Phone Number (Include Area Code) 412 - 788 - 4337

Fax Phone Number (Include Area Code) 412 - 788 - 3781

Email Address (Please use CAPITAL Letters) Example: ALL.CAPS@EMAIL.ADDRESS

SHOPEWACMA.NET

Title

SUPERINTENDENT

City

OKDALE

State

FA

2. Person to Contact About Report (8 am - 4 pm)

Same as 1. ☒ Yes

Do not complete if same as 1.

First Name

Last Name

Number & Street Address

City

State

Zip Code

Home Phone Number (Include Area Code)

Office Phone Number (Include Area Code)

Fax Phone Number (Include Area Code)

Email Address (Please use CAPITAL Letters) Example: ALL.CAPS@EMAIL.ADDRESS

3. Responsible Agent or Official

Same as ☒ 1. ☐ 2. Do not complete if 1 or 2 is checked

First Name

Last Name

Number & Street Address

City

State

Zip Code

Home Phone Number (Include Area Code)

Office Phone Number (Include Area Code)

Fax Phone Number (Include Area Code)

Email Address (Please use CAPITAL Letters) Example: ALL.CAPS@EMAIL.ADDRESS

OWNERSHIP

(Check One)

- ☒ Authority
☐ Authority (Municipality operates)
☐ Municipal
☐ Investor - PUC

- ☐ Institution - Military
☐ Institution - Health
☐ Institution - Recreation
☐ Institution - Education
☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

AVERAGE DAILY WATER USE

TYPE	METERED CONNECTIONS		UNMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ²	NUMBER ¹	WATER USE (GPD) ²
Domestic	4, 8 6 3	6 4 4, 2 8 8		
Commercial	3 7 1	2 1 3, 2 3 6		
Industrial	2 6	1 4, 8 4 4		
Institutional	4 0	4 9, 4 6 4		
Bulk Sales to other PWS				
Other ³				
Unaccounted For Water ⁴	5, 3 0 0	1, 2 2 3, 0 0 0		

1. The Total Number of Metered and Nonmetered Connections by Type should equal the Total under the Present Number of Connections Served.

2. Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal Average Daily Water Use on Page 1.

3. Explain "Other" connections

4. Unaccounted For Water (Leakage, Fire, etc....) is the difference between the water produced and the water used by customers.

[illegible]

Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter.) ☒ No ☐ Yes ☐ No If no, complete Multiple Unit Column

WUDS_PPID	1	8	7	5	3
-----------	---	---	---	---	---

STREAM, RESERVOIR INTAKES, SPRINGS, QUARRY, INFILTRATION GALLERY

TOTALS

DAILY OUTPUT OF THE WATER SYSTEM SOURCES

WELLS AND RANNEY COLLECTORS

[illegible]

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

STORIES

RAW WATER

Please complete the TYPE STORAGE column for each storage facility. If the storage facility is listed under this section and should be a treated water storage facility, the use of the check mark will enable the Department to correctly classify the storage records in WUDS. R = Raw Storage, T = Treated Storage

TREATED WATER

[illegible]

Please complete the TYPE STORAGE column for each storage facility. If the storage facility is listed under this section and should be a raw water storage facility, the use of the check mark will enable the Department to correctly classify the storage records in WUDS. R = Raw Storage, T = Treated Storage

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

What is the average age of existing meters?

19 Years

Are you currently installing meters at new connections?

☒ Yes ☐ No

Are you currently installing meters at unmetered connections?

☒ Yes ☐ No

Is there an active meter replacement program for your water system?

☐ Yes ☒ No

How many meters did you replace during the report year?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 ☐ 11 ☐ 12 ☐ 13 ☐ 14 ☐ 15 ☐ 16 ☐ 17 ☐ 18 ☐ 19 ☐ 20

Did you provide water conservation information to your customers during the report year?

☒ Yes ☐ No

What is the type, size (inches), and length of new pipe installed as an extension to your present system during the report year?

DUCTILE IRON 6" & 12" 13,080 feet

What is the frequency of flushing the distribution system during the past year?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 ☐ 11 ☐ 12 ☐ 13 ☐ 14 ☐ 15 ☐ 16 ☐ 17 ☐ 18 ☐ 19 ☐ 20

Did you work your hydrants during the report year?

☒ Yes ☐ No

Did you work the valves in the system during the report year?

☒ Yes ☐ No

Does your system have an active leak detection program?

☒ Yes ☐ No

What type of equipment or methods do you use for leak detection?

GEOPHONES, SOUNDING HYDRANTS, MAIN VALVES AND SERVICE CONNECTIONS.

Does your system have a cross-connection control program?

☒ Yes ☐ No

Has the water pressure been inadequate in any part of the system?

☒ Yes ☐ No

If yes, explain

RUPTURED MAINS CAUSED LOSS OF SERVICE AND LOW PRESSURES OCCASIONALLY THROUGHOUT THE SYSTEM DURING THE YEAR

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Do you have access to or use a personal computer in any aspect of operation of your water system?

☒ Yes ☐ No

Do you use any of the following Microsoft products? Word

☒ Y ☐ N ☐ Access ☐ Y ☒ N

Do you have access to the Internet?

☐ Yes ☒ No

Would you complete an Annual Water Supply Report if you could download it from the Internet, fill it out electronically, and return it via email?

☒ Yes ☐ No

Would you complete an Annual Water Supply Report if it was available as a web form on the Internet?

☒ Yes ☐ No

Would you be interested in providing information to DEP using Electronic Data Interchange (EDI)?

☒ Yes ☐ No

Should the following forms processed by the Division of Water Use Planning be converted to a similar format?

Daily Surface Water Withdrawal and Release Form

☒ Yes ☐ No

SRBC Registration Form

☒ Yes ☐ No

Water Allocation Permit Compliance Report Form

☒ Yes ☐ No

DRBC Annual Water Withdrawal Report Form

☒ Yes ☐ No

1. Person Preparing Report

Signature

Ronald R. Uamini

First Name										Last Name										Title																		
R	C	N	A	L	D					P	U	S	E	N	I	C	N	I	K			S	U	P	E	R	I	N	T	E	N	D	E	N	T			
Number & Street Address																																						
4	0	3				V	I	R	C	I	N	I	A			D	I	R	I	V	E																	
Home Phone Number										Office Phone Number										Fax Phone Number																		
(	7	2	4	)	6	9	5	-	3	1	9	9	(	4	1	2	)	7	8	8	-	4	3	3	7	(	4	1	2	)	7	8	8	-	0	7	8	8
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAIL.ADDRESS																																						

2. Person to Contact About Report (8 am - 4 pm)

Same as 1. ☒ Yes ☐ Do not complete if same as 1.

First Name										Last Name										Title									
Number & Street Address																													
Home Phone Number										Office Phone Number										Fax Phone Number									
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAIL.ADDRESS																													

3. Responsible Agent or Official

Same as ☒ 1. ☐ 2. Do not complete if 1 or 2 is checked

First Name										Last Name										Title									
Number & Street Address																													
Home Phone Number										Office Phone Number										Fax Phone Number									
Email Address (Please use CAPITAL Letters) Example: ALLCAPS@EMAIL.ADDRESS																													

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATERSHED CONSERVATION
BUREAU OF WATER SUPPLY MANAGEMENT

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN 1 to DEC 31, 19 99
(Fill in previous year)

RETURN BY MARCH 31:

Department of Environmental Protection
Bureau of Watershed Conservation
P.O. Box 8555
Harrisburg, PA 17105-0555

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water:

AVERAGE DAILY WATER USE - Including purchased water (GPD):

(Total water use for the year divided by 365 days.)

PEAK DAY WATER USE FOR REPORT YEAR:

Date: 7-30-99

MINIMUM DAY WATER USE FOR REPORT YEAR:

Date: 10-17-99

416,911,000 Gallons Per Year

1,142,221 Gallons Per Day

1,672,000 Gallons Per Day

780,000 Gallons Per Day

PWS I.D. #

5020034

Name of District, Division or System

NORTH FAYETTE TOWNSHIP

Population Served

11,339

County

ALLEGHENY

PUC Regulated?
YES ☐ NO ☒

ADDRESS CORRECTION ONLY

NAME 1

NAME 2

STREET 1

STREET 2

CITY

STATE

ZIP CODE

MAILCNT 66 53 2
101092001 5020034 02929

WESTERN ALLEGHENY CO MUN AUTH
403 VIRGINIA DR
OAKDALE PA 15071-9105

OWNERSHIP

(Check one)

- ☒ Authority
☐ Authority (Municipally operates)
☐ Municipal
☐ Investor

- ☐ Institution
☐ Military
☐ Health
☐ Recreation
☐ Education

- ☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

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PWSID. # 5020034 DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM SOURCES

page 3

SURFACE WATER SOURCES		Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
TYPE	NAME	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Permitt	Emergency	
	N/A				()						
					()						
					()						
					()						
					()						
TOTAL					()						
GROUND WATER SOURCES (Wells)		Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
NAME or NUMBER	DEPTH (feet)	DIAM. (inches)	Yes	No	GPD		(Days)	TYPE	CAPACITY (GPD)	Permitt	
						()					
						()					
						()					
						()					
						()					
TOTAL						()					
GROUND WATER SOURCES (Other)		Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
TYPE	NAME	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Permitt	Emergency	
	N/A				()						
					()						
					()						
					()						
					()						
TOTAL					()						

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PWS ID. # 5020034 INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

page 4

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)			USE		Reason for Period of Non-Use (code)*
	PURCHASE FROM*		SALE TO		FROM	TO	Permit	Emergency		
	GPD	(Days)	GPD	(Days)						
MUNICIPAL AUTH. TWP OF ROBINSON	822,433	(365)	N/A	()	893,000	N/A	X			
LA AMERICAN WATER CO	17,622	(365)	N/A	()	100,000	N/A	X			
OAKDALE BOROUGH	N/A	()	12,365	(365)	N/A	271,000		X		
FINDLAY TWP. WATER AUTH.	0	()	0	()	105,000	150,000		X		
MOON TWP. MUNICIPAL AUTH.	302,167	(365)	0	()	720,000	165,000	X			
TOTAL	1,142,222	(365)	12,365	(365)	1,818,000	586,000				

* Average Daily Withdrawal of all surface and ground water sources, including purchased water, if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet.)

† If the Safe Yield is based on actual pumping tests of the well or spring, indicate this by pulling a "T" in parenthesis (T) after the number.

‡ Enter appropriate code(s): See instruction for codes.

Are water levels monitored in each well? Yes ☐ No ☐ N/A

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	USABLE STORAGE CAPACITY (Gallons)
4,497,000		
TOTAL		

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PWS ID. # 5020034

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY
	N/A			

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM	X		1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM OFF OLD STEUBENVILLE PIKE (ROUTES 22 & 30), AT THE MCKEE ROAD INTERSECTION NEAR HANKEY FARMS-PLAN			500,000
TOTAL			1,500,000

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Please answer the following questions by placing an X in the appropriate box.

Question:	Yes	No
1. Do you have access to or use a personal computer in any aspect of operation of your water system?	X	
2. Do you use any of the following Microsoft products?		
Word	X	
Excel	X	
Access		
3. Do you have access to the Internet through an Internet Service Provider?		
4. Would you complete an Annual Water Supply Report on the Internet if it were provided as an electronic form?		
5. Would you complete an Annual Water Supply Report on the Internet if it were provided as an Internet based form?		
6. Would you provide information for an electronic transaction dataset to be transferred to a Department computer using Electronic Data Interchange (EDI)?	X	

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PWS I.D.# 5020031 METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

page 6

What is average age of existing meters? 19 Years

Are you currently installing meters at new connections? ☒ Yes ☐ No, unmetered connections? ☐ Yes ☐ NoIs there an active meter replacement program for your water system? ☒ Yes ☐ No

How many meters did you replace during the report year? 23

Is there a water conservation plumbing code in effect in your service area? ☒ Yes ☐ NoDid you provide water conservation information to your customers during this past report year? ☒ Yes ☐ No

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON Diam (inches) 6" & 8" Length (feet) 13,740

What is the frequency of flushing the distribution system? ONCE Per Year

Did you work your hydrants during the report year? ☒ Yes ☐ No ☒ Frequency ONCEDo you work your valves? ☒ Yes ☐ No ☒ Frequency ONCEDoes your system have an active leak detection program? ☒ Yes ☐ No

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS

Does your system have a cross-connection control program? ☒ Yes ☐ NoHas water pressure been inadequate in any part of the system? ☒ Yes ☐ No. If Yes, explain PRESSURE FROM PAWC WAS LIMITED HAVE SINCE INSTALLED A TIE-IN THAT HAS ELIMINATED PROBLEM

Person Preparing Report		Person to Contact About Report (8am-4pm)		Responsible Agent or Official	
Signature <i>Robert S. Owens</i>		Same as 1. ☒ 2		Same as 1. ☒ 2	
Name ROBERT S. OWENS		Do not complete if same as 1.		Do not complete if 1 or 2 is checked.	
Title AUTHORITY MANAGER		Name		Name	
Street Address 403 VIRGINIA DRIVE		Title		Title	
City OAKDALE PA State 15071		Street Address		Street Address	
Home phone (724) 693-0586		City		City	
Office phone (412) 788-4337		State		State	
Fax phone (412) 788-0788		Zip Code		Zip Code	
Email address:		Home phone ()		Home phone ()	
		Office phone ()		Office phone ()	
		Fax phone ()		Fax phone ()	
		Email address:		Email address	

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATERSHED CONSERVATION
BUREAU OF WATER SUPPLY MANAGEMENT

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN 1 to DEC 31, 19 98
(Fill in previous year)

RETURN BY MARCH 31:

Department of Environmental Protection
Bureau of Watershed Conservation
P.O. Box 8555
Harrisburg, PA 17105-6555

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water:

351,535,000 Gallons Per Year

AVERAGE DAILY WATER USE - including purchased water (GPD):

963,110 Gallons Per Day

(Total water use for the year divided by 365 days.)

PEAK DAY WATER USE FOR REPORT YEAR: Date: 8/4/98

1,302,000 Gallons Per Day

MINIMUM DAY WATER USE FOR REPORT YEAR: Date: 10/4/98

587,000 Gallons Per Day

PWSID #

5020034

Name of District, Division or System

NORTH FAYETTE TOWNSHIP

Population Served

11,905

County

ALLEGHENY

P U C Regulated?

YES ☐ NO ☒

ADDRESS CORRECTION ONLY

NAME 1

NAME 2

STREET 1

STREET 2

CITY

STATE

ZIP CODE

MAILCNT 66 53 2
101092001 5020034 02929

WESTERN ALLEGHENY COMMUN AUTH
403 VIRGINIA DR
OAKDALE PA 15071-9105

OWNERSHIP

(Check one)

☒ Authority
☐ Authority (Municipality operates)
☐ Municipal

☐ Institution
☐ Military
☐ Health
☐ Recreation
☐ Education

☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

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WA-43

PWS I.D. #

DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM SOURCES

page 3

SURFACE WATER SOURCES		Is source metered?		Average Daily Withdrawal ¹		Safe Yield or Minimum Production During Dry Years of Record (GPD) ²	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code) ³
TYPE ⁴	NAME	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Permanent	Emergency	
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
TOTAL											
GROUND WATER SOURCES (Wells)		Is source metered?		Average Daily Withdrawal ¹		Safe Yield or Minimum Production During Dry Years of Record (GPD) ²	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code) ³
NAME or NUMBER	DEPTH (Feet)	DIAM. (Inches)	Yes	No	GPD		(Days)	TYPE	CAPACITY (GPD)	Permanent	
			☐	☐		()			☐	☐	
			☐	☐		()			☐	☐	
			☐	☐		()			☐	☐	
			☐	☐		()			☐	☐	
			☐	☐		()			☐	☐	
TOTAL											
GROUND WATER SOURCES (Other)		Is source metered?		Average Daily Withdrawal ¹		Safe Yield or Minimum Production During Dry Years of Record (GPD) ²	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code) ³
TYPE ⁴	NAME	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Permanent	Emergency	
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
		☐	☐		()			☐	☐		
TOTAL											

PWS I.D. #

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

N/A

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA	☐	☐	
OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM	☒	☐	1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM OFF OLD STEUBENVILLE PIKE (ROUTES 22 & 30), AT THE MCKEE ROAD INTERSECTION NEAR HAYFARM PLAN	☒	☐	500,000
	☒	☐	1,500,000

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Please answer the following questions by placing an X in the appropriate box.

Question:	Yes	No
1. Do you have access to or use a personal computer in any aspect of operation of your water system?	☒	☐
2. Do you use any of the following Microsoft products?		
Word	☒	☐
Excel	☒	☐
Access	☒	☐
3. Do you have access to the Internet through an Internet Service Provider?	☐	☒
4. Would you complete an Annual Water Supply Report on the Internet if it were provided as an electronic form?	☐	☒
5. Would you complete an Annual Water Supply Report on the Internet if it were provided as an Internet based form?	☐	☒
6. Would you provide information for an electronic transaction dataset to be transferred to a Department computer using Electronic Data Interchange (EDI)?	☒	☐

WA-47

PWS I.D. #

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

page 6

What is average age of existing meters? 19 Years.

Are you currently installing meters at new connections? ☒ Yes ☐ No. unmetered connections? ☐ Yes ☐ NoIs there an active meter replacement program for your water system? ☒ Yes ☐ No

How many meters did you replace during the report year? 34

Is there a water conservation plumbing code in effect in your service area? ☒ Yes ☐ NoDid you provide water conservation information to your customers during this past report year? ☒ Yes ☐ No

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON Diam. (inches) 6" & 8" Length (feet) 14, 239

What is the frequency of flushing the distribution system? ONCE Per Year

Did you work your hydrants during the report year? ☒ Yes ☐ No ☒ Frequency OnceDo you work your valves? ☒ Yes ☐ No ☒ Frequency ONCEDoes your system have an active leak detection program? ☒ Yes ☐ No

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS

Does your system have a cross-connection control program? ☒ Yes ☐ NoHas water pressure been inadequate in any part of the system? ☒ Yes ☐ No. If Yes, explain PRESSURE FROM PANC WAS LIMITED HAVE SINCE INSTALLED A TIE-IN THAT HAS ELIMINATED PROBLEM.

Person Preparing Report		Person to Contact About Report (8am-4pm)		Responsible Agent or Official	
Signature		Same as 1. ☒ Do not complete if same as 1.		Same as 1. ☒ 2 Do not complete if 1 or 2 is checked	
Name		Name		Name	
Title		Title		Title	
Street Address		Street Address		Street Address	
City		City		City	
State		State		State	
Zip		Zip Code		Zip Code	
Home phone (724) 693-0506		Home phone ()		Home phone ()	
Office phone (412) 788-4337		Office phone ()		Office phone ()	
Fax phone (412) 788-0786		Fax phone ()		Fax phone ()	
Email address:		Email address:		Email address:	

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATERSHED CONSERVATION
BUREAU OF WATER SUPPLY MANAGEMENT

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN 1 to DEC 31, 19 97
(Fill in *previous year*)

RETURN BY MARCH 31

Department of Environmental Protection
Bureau of Watershed Conservation
P O. Box 8555
Harrisburg, PA 17105-8555

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - including purchased water.

AVERAGE DAILY WATER USE - Including purchased water (GPD):

(Total water use for the year divided by 365 days.)

PEAK DAY WATER USE FOR REPORT YEAR: Date: 6/4/97MINIMUM DAY WATER USE FOR REPORT YEAR: Date: 5/29/97

323,522,400 Gallons Per Year

886,363 Gallons Per Day

1,028,000 Gallons Per Day

659,968 Gallons Per Day

PWS I.D. #

5020034

Name of District, Division or System

NORTH FAYETTE TOWNSHIP

Population Served

11,580

County

ALLEGHENY

P U C Regulated?
YES ☐ NO ☒

ADDRESS CORRECTION ONLY

NAME 1

NAME 2

STREET 1

STREET 2

CITY

STATE

ZIP CODE

MAIL CNT 65 52 2
101092001 5020034 02929
WESTERN ALLEGHENY CO MUN AUTH
403 VIRGINIA DR
OAKDALE PA 15071-9105

OWNERSHIP

(Check one)

☒ Authority☐ Authority (Municipally operates)☐ Municipal☐ Investor☐ Institution☐ Military☐ Health☐ Recreation☐ Education☐ Apartment☐ Association☐ Mobile Home Park☐ Other

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PWS I.D. # 3020034 DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM SOURCES

page 3

SURFACE WATER SOURCES		Is source metered?		Average Daily Withdrawal ^a		Safe Yield or Minimum Production During Dry Years of Record (GPD) ^c	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (code) ^d
TYPE ^b	NAME	Yes	No	GPD	(Days)			Permanent	Emergency	
					()					
					()					
					()					
					()					
					()					
TOTAL						()				
GROUND WATER SOURCES (Wells)		Is source metered?		Average Daily Withdrawal ^a		Safe Yield or Minimum Production During Dry Years of Record (GPD) ^c	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (code) ^d
NAME or NUMBER	DEPTH (Feet)	DIAM. (Inches)	Yes	No	GPD			(Days)	Permanent	
						()				
						()				
						()				
						()				
						()				
TOTAL						()				
GROUND WATER SOURCES (Other)		Is source metered?		Average Daily Withdrawal ^a		Safe Yield or Minimum Production During Dry Years of Record (GPD) ^c	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (code) ^d
TYPE ^b	NAME	Yes	No	GPD	(Days)			Permanent	Emergency	
						()				
						()				
						()				
						()				
						()				
TOTAL						()				

WA-51

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

page 4

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY(GPD)		USE		Reason for Period of Non-Use [code]*
	PURCHASE FROM*		SALE TO				Perma-ent	Emer-gency	
	GPD	(Days)	GPD	(Days)	FROM	TO			
MUNICIPAL AUTHORITY	790,274	(365)	N/A	()	893,000	N/A		X	
TOWNSHIP OF ROBINSON									
PA AMERICAN WATER CO.	88,738	(365)	N/A	()	100,000	N/A		X	
OAKDALE BOROUGH	N/A	()	6,342	(365)	N/A	271,000		X	
FINDLAY TOWNSHIP WATER AUTH.	1,055	(365)	0	()	105,000	150,000		X	
MOON TWP. MUNICIPAL AUTHORITY	6,296	(365)	0	()	432,000	165,000		X	
TOTAL	886,363	(365)	6,342	(365)	1,530,000	585,000			

^a Average Daily Withdrawal of all surface and ground water sources. Including purchased water, if any, should be equal to the "Total Average Daily Water Use".

Indicated on page 2. (See instruction sheet.)

7 (f) The Safe Yield is based on actual pumping tests of the well or spring. Indicate this by putting a "T" in parenthesis ("T") after the number.
8 Enter appropriate code(s). See Instruction for codes.

Are water levels monitored in each well? _____ Yes _____ No _____ N/A

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	USABLE STORAGE CAPACITY (Gallons)
TOTAL		

PWS I.D. # 5020034

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA, OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM			1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM OFF OLD STEUBENVILLE PIKE (LINES 22 & 30), AT THE NCKEE ROAD INTERSECTION, NEAR HANLEY FARMS PLAN	X		500,000 1,500,000

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Please answer the following questions by placing an X in the appropriate box.

Question:	Yes	No
1. Do you have access to or use a personal computer in any aspect of operation of your water system?	X	
2. Do you use any of the following Microsoft products?		
Word	X	
Excel	X	
Access		X
3. Do you have access to the Internet through an Internet Service Provider?		X
4. Would you complete an Annual Water Supply Report on the Internet if it were provided as an electronic form?		X
5. Would you complete an Annual Water Supply Report on the Internet if it were provided as an Internet based form?		X
6. Would you provide information for an electronic transaction dataset to be transferred to a Department computer using Electronic Data Interchange (EDI)?	X	

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What is average age of existing meters? 19 Years

Are you currently installing meters at new connections? ☒ Yes ☐ No unmetered connections? ☐ Yes ☐ NoIs there an active meter replacement program for your water system? ☒ Yes ☐ No

How many meters did you replace during the report year? 47

Is there a water conservation plumbing code in effect in your service area? ☒ Yes ☐ NoDid you provide water conservation information to your customers during this past report year? ☒ Yes ☐ No

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON & PVC Diam. (inches) 6", 8", & 12" Length (feet) 6,292

What is the frequency of flushing the distribution system? ONCE Per Year

Did you work your hydrants during the report year? ☒ Yes ☐ No ONCE FrequencyDo you work your valves? ☒ Yes ☐ No ONCE FrequencyDoes your system have an active leak detection program? ☒ Yes ☐ No

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS

Does your system have a cross-connection control program? ☒ Yes ☐ NoHas water pressure been inadequate in any part of the system? ☐ Yes ☒ No If Yes, explain

Person Preparing Report		Person to Contact About Report (8am-4pm)		Responsible Agent or Official	
Signature	<i>Robert S. Owens</i>	Same as 1. ☒ Do not complete if same as 1.	Same as 1. ☒ Do not complete if 1 or 2 is checked		
Name	ROBERT S. OWENS	Name	Name		
Title	AUTHORITY MANAGER	Title	Title		
Street Address	405 VIRGINIA DRIVE	Street Address	Street Address		
City	OAKDALE	City	City	State	Zip Code
Home phone (412)	693-0586	Home phone ()	Home phone ()		
Office phone (412)	788-4337	Office phone ()	Office phone ()		
Fax phone (412)	788-0788	Fax phone ()	Fax phone ()		
Email address:		Email address:	Email address:		

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 1997

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No _____
List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

NONE

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF WATERSHED CONSERVATION
BUREAU OF WATER SUPPLY MANAGEMENT

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN 1 to DEC 31, 19 96
(Fill in previous year)

RETURN BY MARCH 31:

Department of Environmental Protection
Bureau of Watershed Conservation
P.O. Box 8555
Harrisburg, PA 17105-8555

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water. 298,383,300 Gallons Per Year

AVERAGE DAILY WATER USE - Including purchased water (GPD): 817,489 Gallons Per Day
(Total water use for the year divided by 365 days)

PEAK DAY WATER USE FOR REPORT YEAR: Date: 8/30/96 1,011,100 Gallons Per Day

MINIMUM DAY WATER USE FOR REPORT YEAR: Date: 1/21/96 512,200 Gallons Per Day

PWS ID. #

5020034

Name of District, Division or System

NORTH FAYETTE TOWNSHIP

Population Served

9,514

County

ALLEGHENY

P U C Regulated?
YES ☐ NO ☒

ADDRESS CORRECTION ONLY

NAME 1

NAME 2

STREET 1

STREET 2

CITY

STATE

ZIP CODE

MAILING 05 52 2
101092001 5020034 02029
WESTERN ALLEGHENY COMMUNITY
403 VIRGINIA DR
OAKDALE PA 15071-9105

OWNERSHIP

(Check one)

- ☒ Authority
☐ Authority (Municipality operates)
☐ Municipal
☐ Investor

- ☐ Institution
☐ Military
☐ Health
☐ Recreation
☐ Education

- ☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

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PWSID # 5020034 DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM SOURCES

page 3

SURFACE WATER SOURCES				Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (date)
TYPE	NAME	Yes	No	GPD	(Days)	Permanent	Emergency					
					()							
TOTAL					()							
GROUND WATER SOURCES (Wells)				Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (date)
NAME or NUMBER	DEPTH (Feet)	DIAM. (Inches)	Yes	No	GPD	(Days)	Permanent			Emergency		
						()						
						()						
						()						
						()						
						()						
TOTAL					()							
GROUND WATER SOURCES (Other)				Is source metered?		Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (e.g., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)	USE		Reason for Period of Non-Use (date)
TYPE	NAME	Yes	No	GPD	(Days)	Permanent	Emergency					
						()						
						()						
						()						
						()						
TOTAL					()							

WA-59

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

1. 741124

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE		Reason for Period of Non-Use (code)*
	PURCHASE FROM*		SALE TO		FROM	TO	Pump- out	Inter- agency	
	GPD	(Days)	GPD	(Days)					
METROPOLITAN AUTHORITY	748,998	(365)	N/A	()	893,000	N/A	N		
TOWNSHIP OF BOULDER	68,492	(365)	N/A	()	100,000	N/A	N		
PA AMERICAN WATER CO.	N/A	()	3,217	(365)	N/A	271,000		N	
OAKDALE BOROUGH	0	()	0	()	105,000	150,000		Y	NN
FINDLAY TOWNSHIP WATER AUTH.		()		()					
TOTAL	817,490	(365)	3,217	(365)	1,098,000	421,000			

5. Average Daily Withdrawal of all surface and ground water sources, including purchased water, if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet)

6. If the Safe Yield is based on actual pumping tests of the well or spring, indicate this by putting a "T" in parenthesis (T) after the number. Enter appropriate code(s). See instruction for codes.

7. Are water levels monitored in each well? Yes No N/A

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body-of water If applicable)	USABLE STORAGE CAPACITY (Gallons)
TOTAL		

WA-60

PWS ID. # 5020134

TREATMENT

page 6

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (if applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

N/A

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SAN JACINTO AREA, OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM	X		1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM OFF OLD STEUBENVILLE PIKE (RTHMS 22 & 30), AT THE HICKS ROAD INTERSECTION, NEAR HICKORY FARMS PLAN	X		500,000 1,500,000

COMPUTER TECHNOLOGY AND THE COMMUNITY WATER SUPPLY SYSTEM

Please answer the following questions by placing an X in the appropriate box.

Question:		Yes	No
1. Do you have access to or use a personal computer in any aspect of operation of your water system?		X	
2. Do you use any of the following Microsoft products?		X	
Word		X	
Excel		X	
Access			X
3. Do you have access to the Internet through an Internet Service Provider?			X
4. Would you complete an Annual Water Supply Report on the Internet if it were provided as an electronic form?			X
5. Would you complete an Annual Water Supply Report on the Internet if it were provided as an Internet based form?			X
6. Would you provide information for an electronic transaction dataset to be transferred to a Department computer using Electronic Data Interchange (EDI)?		X	

WA-61

P.W.S.D. # 5020934 METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

PAGE 6

What is average age of existing meters? 21 Years

Are you currently installing meters at new connections? ☒ Yes ☐ No, unmetered connections? ☐ Yes ☐ NoIs there an active meter replacement program for your water system? ☒ Yes ☐ No

How many meters did you replace during the report year? 64

Is there a water conservation plumbing code in effect in your service area? ☒ Yes ☐ NoDid you provide water conservation information to your customers during this past report year? ☒ Yes ☐ No

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON & PVC Diam. (inches) 4", 6", 8", & 12" Length (feet) 22,912

What is the frequency of flushing the distribution system? ONCE Per Year

Did you work your hydrants during the report year? ☒ Yes ☐ No ONCE FrequencyDo you work your valves? ☒ Yes ☐ No ONCE FrequencyDoes your system have an active leak detection program? ☒ Yes ☐ No

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS

Does your system have a cross-connection control program? ☒ Yes ☐ NoHas water pressure been inadequate in any part of the system? ☐ Yes ☒ No If Yes, explain

Person Preparing Report		Person to Contact About Report (8am-4pm)		Responsible Agent or Official	
Signature		Same as 1. ☒ Do not complete if same as 1		Same as 1. ☒ 2. Do not complete if 1 or 2 is checked	
Name ROBERT S. OWENS		Name		Name	
Title AUTHORITY MANAGER		Title		Title	
Street Address 403 VIRGINIA DRIVE		Street Address		Street Address	
City OAKDALE State PA Zip Code 15071		City State Zip Code		City State Zip Code	
Home phone (412) 693-0586		Home phone ()		Home phone ()	
Office phone (412) 788-4337		Office phone ()		Office phone ()	
Fax phone (412) 788-0788		Fax phone ()		Fax phone ()	
Email address:		Email address		Email address.	

Recycled Paper 

WA-62

ANNUAL WATER SUPPLY REPORT

Department of Environmental Protection
Bureau of Water Supply and Community Health
P.O. Box 8467
Harrisburg, PA 17105-8467

WATER USE FOR REPORT YEAR

290,917,300 Gallons Per Year

Gallons Per Day	
797,034	

	Gallons Per Day
962,000	

	Gallons Per Day
559,300	

P U C Regulated
YES ☐ NO ☒

DOES YOUR ADDRESS BELOW MEET USPS POSTAL ADDRESSING STANDARDS? (See Instructions page 1.)

101092001/5020034/02929/20-G 3
WESTERN ALLEGHENY CO MUN AUTH

403 VIRGINIA DR

(The following names are listed in alphabetical order by last name.)

STATE ZIP CODE

WA-63

OWNERSHIP

☐ Military

☐ Health

☐ Recreation

☐ Education

☐ Apartment
☐ Association
☐ Mobile Home
☐ Other

PWS ID # 5020034

AVERAGE DAILY WATER USE

page 2

TYPE	METERED CONNECTIONS		NONMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ²	NUMBER ¹	WATER USE (GPD) ²
DOMESTIC	3986	520,063	N/A	
COMMERCIAL	282	107,302		
INDUSTRIAL	25	19,868		
INSTITUTIONAL	29	38,986		
BULK SALES TO OTHER SUPPLIERS				
UNACCOUNTED FOR WATER ³		110,815		
OTHER ⁵				
TOTAL	4322	797,034		

PRESENT NUMBER OF CONNECTIONS SERVED

LIST MUNICIPALITIES SERVED (List Cities, Boroughs or Townships where your system's service area is located)	PRESENT NUMBER OF CONNECTIONS					PERCENT OF POPULATION SERVED IN MUNICIPALITY	MULTIPLE UNIT CONNECTIONS	
	Domestic ⁴	Commercial	Industrial	Institutional	Other ⁵		NUMBER CONNECTIONS	NUMBER UNITS
North Fayette Township	3979	281	25	28				
Findlay Township	7	1		1				
TOTAL	3986	282	25	29				

¹ Total Number of Metered and Nonmetered Connections should equal "Present Number of Connections Served".

² Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal "Average Daily Water Use" on page 1.

³ Unaccounted For Water (Leakage, Fire, etc...) is the difference between the water produced at the source(s) and the water used by the customers.

⁴ Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter). ☒ yes ☐ no If no, complete Multiple Unit Column.

⁵ Explain "Other" connections:

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PWS I.D. # 5020034

DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM-SOURCES

page 3

SURFACE WATER SOURCES (Name of River, Creek, Stream, Run, Lake, Pond or Reservoir)			Is source metered?		Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD)?	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)s
		Yes	No	GPD	(Days)	TYPE		CAPACITY (GPD)	Perma- nent	Emer- gency		
TOTAL												
GROUNDWATER SOURCES (Wells)			Is source metered?		Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD)?	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)s
NAME or NUMBER	DEPTH (feet)	DIAM. (inches)	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Perma- nent	Emer- gency	
TOTAL												
GROUNDWATER SOURCES (Springs, Quarries, Deep Mines)			Is source metered?		Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD)?	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)s
			Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Perma- nent	Emer- gency	
TOTAL												

WA-65

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

अथर्ववेदः

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY			USE		Reason for Period of Non-Use (code) if
	PURCHASE FROM ⁶		SALE TO					Perma- nent	Emer- gency	
	GPD	(Days)	GPD	(Days)						
						FROM	TO			
Municipal Authority of Township of Robinson	732,378	(365)	N/A	()	893,000	N/A		X		
PA American Water Co.	64,656	(365)		()	100,000	N/A		X		
Oakdale Borough	N/A	()	7460	(365)	N/A	271,000		X		
Findlay Township	0	()	0	()	105,000	150,000		X		NN
		()		()						
TOTAL	797,034	(365)	7460	(365)	1,098,000	421,000				

6 Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

7 If the Safe Yield is based on actual pumping tests of the well or spring, indicate this by putting a "T" in parenthesis (T) after the number.

8 Enter appropriate code(s): See instruction for codes

Are water levels monitored in each well?	YES	NO	N/A
Are water levels monitored in each well?			

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	USABLE STORAGE CAPACITY (Gallons)
N/A		
TOTAL		

WA-66

PW5 ID. # 5020034

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (if applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA, OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM	X		1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM, OFF OLD STEUBENVILLE PIKE (ROUTES 22 & 30), AT THE MCKEE ROAD INTERSECTION, NEAR HANKEY FARMS PLAN	X		500,000
TOTAL			1,500,000

ADEQUACY OF SYSTEM AND COMMENTS

- (1) If yield, storage or treatment capacity is presently inadequate or will be inadequate within the next five years, what is your schedule for improvements which will provide for adequate capacity?
- (2) Were any sources of supply removed from the system either permanently or for emergency use only during the report year? List.
- (3) Do you have any comments regarding your water system or this report? Explain below. Attach additional sheets if necessary.

WA-67

PWS ID. # 5020034

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

page 6

What is the average age of existing meters? 21 years.Are you currently installing meters at new connections? X YES NO unmetered connections? YES NOIs there an active meter replacement program for your water system? X YES NOHow many meters did you replace during the report year? 57Is there a water conservation plumbing code in effect in your service area? X YES NODid you provide water conservation information to your customers during this past report year? X YES NO

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON & PVC Diam. (inches) 4", 6", 8" Length (feet) 1,860What is the frequency of flushing the distribution system? ONCE per year.Did you work your hydrants during the report year? YES X NO ONCE Frequency ONCEDo you work your valves? YES X NO ONCE Frequency ONCEDoes your system have an active leak detection program? YES X NO ONCE

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS.

Does your system have a cross connection control program? YES X NO ONCEHas water pressure been inadequate in any part of the system? YES NO X If YES explain.Would your system be willing to participate in a study of conversion of this form to data scanning (see instructions) YES X NO ONCE

Person Preparing Report		Person to Contact About Report (8am-4pm)		Responsible Agent or Official	
Signature <u>Robert S. Owens</u>	Same as 1. <u>X</u>	Same as 1. <u>X</u>	Do not complete if 1 or 2 is checked.	Same as 1. <u>X</u>	2. <u>ONCE</u>
Name <u>ROBERT S. OWENS</u>	Do not complete if same as 1.	Name	Name	Do not complete if 1 or 2 is checked.	
Title <u>AUTHORITY MANAGER</u>		Title	Title		
Street Address <u>403 VIRGINIA DRIVE</u>		Street Address	Street Address		
City <u>OAKDALE, PA</u>	State <u>PA</u> Zip Code <u>15071-5205</u>	City	City	State	Zip Code
Signature <u>Robert S. Owens</u>		Signature	Signature		
Home phone (<u>412</u>) <u>693-0586</u>		Home phone ()	Home phone ()		
Office phone (<u>412</u>) <u>788-4337</u>		Office phone ()	Office phone ()		
Fax phone (<u>412</u>) <u>788-0788</u>		Fax phone ()	Fax phone ()		

Recycled Paper

WA-68

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 95

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

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OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No
List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

NONE

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COPY

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL RESOURCES
BUREAU OF WATER SUPPLY & COMMUNITY HEALTH

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN. 1 to DEC 31, 19 94
(Fill in previous year)

RETURN BY MARCH 31:

Department of Environmental Resources
Bureau of Water Supply and Community Health
P.O. Box 8467
Harrisburg, PA 17105-8467

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water:

306,730,900 Gallons Per Year

AVERAGE DAILY WATER USE - Including purchased water (GPD):

840,359 Gallons Per Day

(Total water use for the year divided by 365 days).

PEAK DAY WATER USE FOR REPORT YEAR:

Date: 3/6/94

912,000 Gallons Per Day

MINIMUM DAY WATER USE FOR REPORT YEAR:

Date: 9/25/94

568,000 Gallons Per Day

PWS ID # 5020034

Name of District, Division or System
North Fayette TownshipPopulation served
9,213County
AlleghenyP U C Regulated
YES ☐ NO ☒

ADDRESS CORRECTION ONLY

NAME 1

NAME 2

STREET 1

STREET 2

CITY

STATE

ZIP CODE

101092001/5020034/02929/20-G 3
WESTERN ALLEGHENY CO MUN AUTH
403 VIRGINIA DR
OKDALE PA 15071

OWNERSHIP

(Check one)

- ☒ Authority
☐ Authority (Municipality operates)
☐ Municipal
☐ Investor

Institution

- ☐ Military
☐ Health
☐ Recreation
☐ Education

- ☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

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PWS I.D.# 5020034

AVERAGE DAILY WATER USE

page 2

TYPE	METERED CONNECTIONS		NONMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ²	NUMBER ¹	WATER USE (GPD) ²
DOMESTIC	3,841	493,488	N/A	
COMMERCIAL	276	101,863		
INDUSTRIAL	24	19,438		
INSTITUTIONAL	28	47,343		
BULK SALES TO OTHER SUPPLIERS				
UNACCOUNTED FOR WATER ³		178,227		
OTHER				
TOTAL	4,169	840,359		

PRESENT NUMBER OF CONNECTIONS SERVED

LIST PRESENT MUNICIPALITIES SERVED (City, Borough or Township)	PRESENT NUMBER OF CONNECTIONS					PERCENT OF POPULATION SERVED	MULTIPLE UNIT CONNECTIONS	
	Domestic ⁴	Commercial	Industrial	Institutional	Other ⁵		NUMBER CONNECTIONS	NUMBER UNITS
North Fayette Township	3,834	275	24	27		96.8		
Findlay Township	7	1		1		0.4		
TOTAL	3,841	276	24	28			WA-72	

¹ Total Number of Metered and Nonmetered Connections should equal "Present Number of connections served".

² Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal "Average Daily Water Use" on page 1.

³ Unaccounted For Water (Leakage, Fire, etc...) is the difference between the water produced at the source(s) and the water used by the customers.

⁴ Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter) X yes no If no, complete Multiple Unit Column.

⁵ Explain "Other" connections:

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PWS ID # 5020034

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
Two (2) 500,000 Gallon Standpipes located in the Santiago area, off Old Steubenville Pike (Route 22) in the western section of the distribution system	X		1,000,000
One (1) 500,000 Gallon Elevated Storage Tank located in the eastern section of the distribution system off Old Steubenville Pike (Routes 22 & 30), at the McKee Road Intersection, near Hankey Farms Plan	X		500,000
TOTAL			

ADEQUACY OF SYSTEM AND COMMENTS

If yield, storage or treatment capacity is presently inadequate or will be inadequate within the next five years, what is your schedule for improvements which will provide for adequate capacity? Were any sources of supply removed from the system either permanently or for emergency use only during the report year? List. Do you have any comments regarding your water system or this report? Explain below. Attach additional sheets if necessary.

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N/A

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

PWSID. # 5020034

What is the average age of existing meters? 23 years

Are you currently installing meters at new connections? X YES NO unmetered connections? YES NO

Is there an active meter replacement program for your water system? X YES NO

How many meters did you replace during the report year? 58

Is there a water conservation plumbing code in effect in your service area? X YES NO

Did you provide water conservation information to your customers during this past report year? X YES NO

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type Ductile Iron and P.V.C. Diam. (inches) 4", 6", 8", 12" Length (feet) 17,810

What is the frequency of flushing the distribution system? Once per year.

Did you work your hydrants during the report year? YES X NO Frequency Twice

Do you work your valves? YES X NO Frequency Yearly

Does your enterprise have an active leak detection program? YES X NO Frequency Yearly

What type of equipment or methods do you use for leak detection? Geophones, Sounding Valves, Hydrants, Service Connections

Does your enterprise have a cross connection control program? YES X NO Frequency Yearly

Has water pressure been inadequate in any part of the system? YES NO X NO

If YES explain. _____

PERSON PREPARING THIS REPORT

Name	Mina M. Pacella	Title	Manager
Street & Number	403 Virginia Drive	Home phone	()
City	Oakdale, PA 15071-9105	Office phone	(412) 788-4337
Signature	<i>Mina M. Pacella</i>		

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	Same As Above	Title	
Street & Number		Home phone	()
City		Office phone	()

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 94

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No _____
List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

NONE

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL RESOURCES
BUREAU OF WATER SUPPLY & COMMUNITY HEALTH

ANNUAL WATER SUPPLY REPORT

REPORT FOR CALENDAR YEAR JAN. 1 to DEC. 31, 19 93
(Fill in previous year)

RETURN BY MARCH 31:

Department of Environmental Resources
Bureau of Water Supply and Community Health
P.O. Box 8467
Harrisburg, PA 17105-8467

PWSID. # 5020034	Name of District, Division or System NORTH FAYETTE TOWNSHIP	Population served 9,175	County ALLEGHENY	P U C Regulated YES ☐ NO ☒
ADDRESS CORRECTION ONLY				
NAME 1 101092001/5020034/02929/20-G				
NAME 2 WESTERN ALLEGHENY CO MUN AUTH				
STREET 1 403 VIRGINIA DR				
STREET 2 OAKDALE PA 15071				
CITY				STATE
				ZIP CODE

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water:	284,602,200	Gallons Per Year
AVERAGE DAILY WATER USE - Including purchased water (GPD): (Total water use for the year divided by 365 days)	779,732	Gallons Per Day
PEAK DAY WATER USE FOR REPORT YEAR. Date: 6/21/93	934,000	Gallons Per Day
MINIMUM DAY WATER USE FOR REPORT YEAR: Date: 9/29/93	379,000	Gallons Per Day

OWNERSHIP

(Check one)

☒ Authority
☐ Authority (Municipality operates)
☐ Municipal
☐ Investor

Institution

☐ Military
☐ Health
☐ Recreation
☐ Education

☐ Apartment
☐ Association
☐ Mobile Home Park
☐ Other

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PWS I.D.# 5020034

AVERAGE DAILY WATER USE

page 2

TYPE	METERED CONNECTIONS		NONMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ²	NUMBER ¹	WATER USE (GPD) ²
DOMESTIC	3,670	473,732	N/A	
COMMERCIAL	265	89,153		
INDUSTRIAL	23	18,836		
INSTITUTIONAL	29	46,742		
BULK SALES TO OTHER SUPPLIERS				
UNACCOUNTED FOR WATER ³		151,269		
OTHER				
TOTAL	3,987	779,732		

PRESENT NUMBER OF CONNECTIONS SERVED

LIST PRESENT MUNICIPALITIES SERVED (City, Borough or Township)	PRESENT NUMBER OF CONNECTIONS				PERCENT OF POPULATION SERVED	MULTIPLE UNIT CONNECTIONS	
	Domestic ⁴	Commercial	Industrial	Institutional		NUMBER CONNECTIONS	NUMBER UNITS
NORTH FAYETTE TOWNSHIP	3,663	264	23	28			
FINDLAY TOWNSHIP	7	1		1			
TOTAL	3,670	265	23	29			WA-80

¹ Total Number of Metered and Nonmetered Connections should equal "Present Number of connections served".

² Total Average Daily Water Use (GPD) for Metered and Nonmetered Connections should equal "Average Daily Water Use" on page 1.

³ Unaccounted For Water (Leakage, Fire, etc...) is the difference between the water produced at the source(s) and the water used by the customers.

⁴ Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter). X yes ___ no If no, complete Multiple Unit Column.

⁵ Explain "Other" connections:

PWSL... 5020034

DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM-SOURCES

page 3

SURFACE WATER SOURCES (Name of River, Creek, Stream, Run, Lake, Pond or Reservoir)			Is source metered?		Average Daily Withdrawals		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
		Yes	No	GPD	(Days)	TYPE		CAPACITY (GPD)	Perma- nent	Emer- gency		
						()						
						()						
						()						
						()						
						()						
						()						
TOTAL							()					X
/A												
GROUNDWATER SOURCES (Well)			Is source metered?		Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
NAME or NUMBER	DEPTH (Feet)	DIA. (Inches)	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)	Perma- nent	Emer- gency	
						()						
						()						
						()						
						()						
						()						
						()						
						()						
						()						
TOTAL							()					X
/A												
GROUNDWATER SOURCES (Springs, Quarries, Deep Mines)			Is source metered?		Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD)	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems)		USE		Reason for Period of Non-Use (code)
		Yes	No	GPD	(Days)	TYPE		CAPACITY (GPD)	Perma- nent	Emer- gency		
						()						
						()						
						()						
						()						
						()						
						()						
TOTAL							()					X
/A												

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PWSID # 5020034

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

page 4

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE		Reason for period of Non-Use (code) ⁴
	PURCHASE FROM ⁶		SALE TO		FROM	TO	Perma- nent	Emer- gency	
	GPD	(Days)	GPD	(Days)					
MUN. AUTH. OF TWP. OF ROBINSON	732,753	(365)	N/A	()	893,000	N/A	X		
FA AMERICAN WATER COMPANY	46,979	(365)	N/A	()	100,000	N/A	X		
OAKDALE BOROUGH	N/A	()	5,347	(365)	N/A	271,000		X	
FINDLAY TOWNSHIP WATER AUTH.	0	()	0	()	105,000	150,000		X	NN
		()		()					
TOTAL	779,732	(365)	5,347	(365)	1,098,000	421,000			X

⁶ Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

⁷ If the Safe Yield is based on actual pumping tests of the well or spring, indicate this by putting a "T" in parenthesis (T) after the number.

⁸ Enter appropriate code(s): See instruction for codes. Are water levels monitored in each well? YES ☐ NO ☐ N/A

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	USABLE STORAGE CAPACITY (Gallons)
N/A		
TOTAL		

PWSID.# 5020034

TREATMENT

page 5

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY

N/A

TREATED WATER STORAGE

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK	IS FACILITY COVERED		USABLE STORAGE CAPACITY (GALLONS)
	YES	NO	
TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA, OFF OLD STEUBENVILLE PIKE (ROUTE 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM.	X		1,000,000
ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM, OFF OLD STEUBENVILLE PIKE (ROUTES 22 & 30), AT THE MCKEE ROAD INTERSECTION, NEAR HANKEY FARMS PLAN.	X		500,000
TOTAL			

ADEQUACY OF SYSTEM AND COMMENTS

If yield, storage or treatment capacity is presently inadequate or will be inadequate within the next five years, what is your schedule for improvements which will provide for adequate capacity? Were any sources of supply removed from the system either permanently or for emergency use only during the report year? List. Do you have any comments regarding your water system or this report? Explain below. Attach additional sheets if necessary.

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P.W. # 5020034

METERING, WATER CONSERVATION AND DISTRIBUTION SYSTEM

page 6

What is the average age of existing meters? 22 1/2 years.

Are you currently installing meters at new connections? X YES NO unmetered connections? YES NO

Is there an active meter replacement program for your water system? X YES NO

How many meters did you replace during the report year? 56

Is there a water conservation plumbing code in effect in your service area? X YES NO

Did you provide water conservation information to your customers during this past report year? YES

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type DUCTILE IRON Diam. (inches) 4" & 8" Length (feet) 4,375

What is the frequency of flushing the distribution system? ONCE per year.

Did you work your hydrants during the report year? YES X NO NO Frequency ONCE

Do you work your valves? YES X NO NO Frequency ONCE

Does your enterprise have an active leak detection program? YES X NO NO

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS

Does your enterprise have a cross connection control program? YES X NO NO

Has water pressure been inadequate in any part of the system? YES NO X NO

If YES explain.

PERSON PREPARING THIS REPORT

Name	MINA M. PACELLA		Title	MANAGER
Street & Number	403 VIRGINIA DRIVE		Home phone	(412) 262-3168
City	OAKDALE, PA 15071-9105		Office phone	(412) 788-4337
Signature	<i>Mina M. Pacella</i>			

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	SAME AS ABOVE		Title	
Street & Number			Home phone	()
City	Zip Code		Office phone	()
				WA-84

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 93

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No
List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

NONE

Commonwealth of Pennsylvania
Department of Environmental Resources
BUREAU OF WATER SUPPLY & COMMUNITY HEALTH

ANNUAL WATER SUPPLY REPORT

Complete PWS I.D. #, name, and correct address below

REPORT FOR CALENDAR YEAR JAN. 1 to DEC. 31, 19 92

(Fill in *previous* year)

RETURN BY MARCH 31: D.E.R. District Office or County

Health Department Contact for your County.

(See enclosed contact list)

☐ Insert an "X" in this box if the address below represents a change

PWS I. D. #	5020034	Name of District, Division or System	North Fayette Township	Population served	8,935	County	Allegheny	P U C Regulated	YES ☐ NO ☒
NAME	Western Allegheny County Municipal Authority	OWNERSHIP (Check one)							
STREET AND NUMBER	403 Virginia Drive	☒ AUTHORITY / COMMISSION / DISTRICT ☐ MUNICIPALITY ☐ ASSOCIATION ☐ INVESTOR							
CITY	Oakdale, PA 15071-9105	☐ OTHER ☐ FEDERAL ☐ STATE ☐ MOBILE HOME PARK							

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water	247,632,400	Gallons Per Year
AVERAGE DAILY WATER USE - Including purchased water (GPD): (Total water use for the year divided by 365 days)	676,591	Gallons Per Day
PEAK DAY WATER USE FOR REPORT YEAR:	896,900	Gallons Per Day
MINIMUM DAY WATER USE FOR REPORT YEAR:	472,500	Gallons Per Day

SERVICE CURTAILED TO CUSTOMERS DURING REPORT YEAR

DATES CURTAILED		REASON FOR CURTAILMENT	NATURE OF RESTRICTIONS
FROM	TO		
		No Curtailment	

METERING

What is the average age of existing meters? 22 1/2 years.

Are you currently installing meters at new connections? X YES NO unmetred connections? YES X NO

Is there an active meter replacement program for your water system? X YES NO

How many meters did you replace during the report year? 72

WA-89

DEPENDABLE DAILY OUTPUT OF THE WATER SYSTEM-SOURCES

PW. # 5020034

GROUNDWATER SOURCES (SPRINGS)	Is source metered	Average Daily Withdrawal*		Safe Yield or Minimum Production During Dry Years of Record (GPD)*	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc.)		USE	Reason for Period of Non-Use (code) ⁶
		Yes	No	GPD	(Days)	TYPE	CAPACITY (GPD)	
N/A					()			
					()			
					()			
					()			
					()			
TOTAL					()			

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE	Reason for Period of Non-Use (code) ⁶
	PURCHASE FROM		SALE TO		FROM	TO	PERMANENT EMERGENCY	
	GPD	(Days)	GPD	(Days)				
Municipal Authority Of The Township Of Robinson	634,503	(365)	N/A	()	893,000	N/A	X	
PA American Water Company	42,088	(365)	N/A	()	100,000	N/A	X	
Oakdale Borough	N/A	()	3,716	(365)	N/A	271,000	X	NN
Findlay Township Municipal Auth.	0	()	0	()	105,000	150,000	X	NN
TOTAL	676,591	(365)	3,716	(365)	2,098,000	421,000		

* Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

† If the Safe Yield is based on actual pumping tests of the well or spring indicate this by putting a "T" in parenthesis after the number (T)

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	STORAGE CAPACITY (Gallons)
N/A		
TOTAL		WA-90

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (if applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY
A	N/A			
B				
C				
D				

IDENTIFY CHEMICALS USED IN EACH
TYPE OF TREATMENT PROCESS

TREATMENT TYPE

	SYSTEM A (As defined above)	SYSTEM B (As defined above)	SYSTEM C (As defined above)	SYSTEM D (As defined above)
	ALL (100%) PARTIAL (%) ESTIMATE (%) NONE (%)	ALL (%) PARTIAL (%) ESTIMATE (%) NONE (%)	ALL (%) PARTIAL (%) ESTIMATE (%) NONE (%)	ALL (%) PARTIAL (%) ESTIMATE (%) NONE (%)
Disinfection				
Flocculation				
Coagulation				
Sedimentation				
Filtration				
Fluoridation				
Corrosion Control (Stabilization)				
Taste and Odor (Activated Carbon)				
Aeration				
Softening				
Iron and Manganese Removal				
Ammoniation				
Other				

Attach separate sheet for additional Treatment Systems.

Attach separate sheet for "Other" Treatment Types.

DISTRIBUTION SYSTEM

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type Ductile Iron Dia. (inches) 4", 6" & 8" Length (feet) 4,341

Does your enterprise have a pipe replacement program? YES NO X NO If yes please indicate the type, size and length of replacement pipe installed during this past report year.

Type Dia. (inches) Length (feet)

What is the frequency of flushing the distribution system? Once per year.

Did you work your hydrants during the report year? YES X NO Frequency Once

Do you work your valves? YES X NO Frequency Once

Does your enterprise have an active leak detection program? YES X NO

What type of equipment or methods do you use for leak detection? Geophones, Sounding Valves, Hydrants, Service Connections, Etc.

Does your enterprise have a cross connection control program? YES X NO

Has water pressure been inadequate in any part of the system? YES NO X

If YES explain.

SYSTEM DISTRIBUTION MAP

To be included in 1985 Annual Water Supply Report (due March 31, 1986) for all Community Water Systems. Community Water Systems permitted after Dec. 8, 1984, which have submitted a complete system distribution map with the permit application need submit only a system distribution map update

Attach a detailed map of the distribution system showing, where available, pipe material and diameter, pressure, and direction of flow. The map should also locate sources, transmission lines, treatment facilities, storage facilities, and interconnections with other systems

SYSTEM DISTRIBUTION MAP UPDATE

To be included annually by all Community Water Suppliers

Attach an update to the System Distribution Map, including as appropriate, description and plot plan of any water line extensions constructed during the period, including size, type, and location of the extensions and results of pressure surveys. For public water supplies with detailed mapping systems, updated revision sheets may be provided.

REPORTS, SURVEYS, PLANS

Attach copies of the following reports or updates for the report year.

1. Summary report of sanitary surveys.
2. Updates to the cross connection control program (if applicable).
3. Updates of the emergency response plan.

Do you have any comment regarding your water system or this report?

CERTIFIED OPERATORS

NAME	PHONE Area Code - Number	CERTIFICATE NUMBER	TYPE	CLASS
Ronald P. Usenick	(412) 788-4167 Home	W-5081	1	D
Larry J. Mezynski	(412) 926-4154 Home	W-5280	1	D
Both:	(412) 788-4337 Work			

PERSON PREPARING THIS REPORT

Name	Mina M. Pacella	Title	Manager
Street & Number	403 Virginia Drive	Home phone	(412) 262-3168
City	Oakdale, PA 15071-9105	Office phone	(412) 788-4337
Signature	<i>Mina M. Pacella</i>		

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	Same	Title	
Street & Number		Home phone	()
City		Office phone	()

WA-94

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 92

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No

List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

NONE

Department of Environmental Resources
BUREAU OF COMMUNITY ENVIRONMENTAL CONTROL

ANNUAL WATER SUPPLY REPORT

Complete PWS I.D. #, name of supplier, and correct address below

REPORT FOR CALENDAR YEAR JAN 1 TO DEC 31, 19 91
(Fill in previous year)

☐ Insert an "X" in this box if the address below represents a change

RETURN BY MARCH 31; D.E.R. District Office or County Health Department Contact for your County.
(See enclosed contact list)

PWS I.D. #	5020034	Name of District, Division or System	Population served	County	P.U.C. Regulated
NAME OF WATER SUPPLIER		NORTH FAYETTE TOWNSHIP	8,615	ALLEGHENY	YES ☐ NO ☒
STREET AND NUMBER		OWNERSHIP (Check one)			
403 VIRGINIA DRIVE		☒ AUTHORITY / COMMISSION / DISTRICT			
CITY		☐ MUNICIPALITY			
OAKDALE, PA 15071		☐ ASSOCIATION			
		☐ INVESTOR			
		☐ OTHER			
		☐ FEDERAL			
		☐ STATE			
		☐ MOBILE HOME PARK			

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water: 237,018,000 Gallons Per Year

AVERAGE DAILY WATER USE - Including purchased water (GPD): 649,364 Gallons Per Day
(Total water use for the year divided by 365 days)

PEAK DAY WATER USE FOR REPORT YEAR: 980,000 Gallons Per Day

MINIMUM DAY WATER USE FOR REPORT YEAR: 348,000 Gallons Per Day

SERVICE CURTAILED TO CUSTOMERS DURING REPORT YEAR

DATES CURTAILED		REASON FOR CURTAILMENT	NATURE OF RESTRICTIONS
FROM	TO		
		NO CURTAILMENT	

METERING

What is the average age of existing meters? 22 1/2 years

Are you currently installing meters at new connections? X YES NO unmetered connections? YES X NO

Is there an active meter replacement program for your water system? X YES NO

How many meters did you replace during the report year? 115

DISTRICT OFFICE

WA-97

Are water levels monitored in each well? YES _____ NO _____

1

WA-99

GROUNDWATER SOURCES (SPRINGS)	Is source metered?	Average Daily Withdrawal ^a		Safe Yield or Minimum Production During Dry Years of Record (GPD) ^a	Facilities which limit the Total Daily Output (eg. Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc.)		USE	Reason for Period of Non-Use (code) ^a
		Yes	No		TYPE	CAPACITY (GPD)		
N/A								
TOTAL								

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED			MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE	Reason for Period of Non-Use (code) ^a
	PURCHASE FROM (Days)	SALE TO (Days)	GPD	FROM	TO		
ROBINSON							
MUNICIPAL AUTHORITY TWP OF	603,260	365	N/A	893,000	N/A	X	
PA AMERICAN WATER COMPANY	46,104	365	N/A	100,000	N/A	X	
FINDLAY TOWNSHIP WATER AUTH.	-0-	()	-0-	105,000	150,000	X	NN
GAARDABE BOROUGH	-0-	()	2,313	105,000	271,000	X	NN
TOTAL	649,364	365	2,313	1,098,000	421,000		

^a Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

^b If the Safe Yield is based on actual pumping tests of the well or spring indicate this by putting a "T" in parenthesis after the number (T).

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	STORAGE CAPACITY (Gallons)
N/A		
TOTAL		

DISTRICT OFFICE

WA-100

SYS	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	PRODUCTION PL. (If applicable) Gallons Per Day	CAPACITY (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE OPERATING PER DAY
A	N/A				
B					
C					
D					

TREATMENT TYPE	SYSTEM A (As defined above)		SYSTEM B (As defined above)		SYSTEM C (As defined above)		SYSTEM D (As defined above)		IDENTIFY CHEMICALS USED IN EACH TYPE OF TREATMENT PROCESS
	ALL (100%) ESTIMATE (%)	PARTIAL (ESTIMATE %)	ALL (100%) ESTIMATE (%)	PARTIAL (ESTIMATE %)	ALL (100%) ESTIMATE (%)	PARTIAL (ESTIMATE %)	ALL (100%) ESTIMATE (%)	PARTIAL (ESTIMATE %)	
Disinfection									
Flocculation									
Coagulation									
Sedimentation									
Filtration									
Fluoridation									
Corrosion Control (Stabilization)									
Taste and Odor (Activated Carbon)									
Aeration									
Softening									
Iron and Manganese Removal									
Ammoniation									
Other									

Attach separate sheet for additional Treatment Systems.
 Attach separate sheet for "Other" Treatment Types.

DISTRICT OFFICE

WA-101

NAME OF TREATED WATER RESERVOIR OR STORAGE TANK

TWO (2) 500,000 GALLON STANDPIPES LOCATED IN THE SANTIAGO AREA, OFF OLD STEUBENVILLE PIKE (RT 22), IN THE WESTERN SECTION OF THE DISTRIBUTION SYSTEM.

ONE (1) 500,000 GALLON ELEVATED STORAGE TANK LOCATED IN THE EASTERN SECTION OF THE DISTRIBUTION SYSTEM, OFF OLD STEUBENVILLE PIKE (RT 22 & 30), AT THE MCKEE ROAD INTERSECTION NEAR HANKEY FARMS.

TOTAL

ADEQUACY OF SYSTEM

If yield, storage or treatment capacity is presently inadequate or will be inadequate within the next five years what is your schedule for improvements which will provide for adequate capacity? Explain below. Attach additional sheets if necessary.

N/A

WA-102

DISTRICT OFFICE

USABLE
STORAGE CAPACITY
(GALLONS)

IS
FACILITY
COVERED
YES NO

1,000,000

500,000

DISTRIBUTION SYSTEM

DI 12" - 2,810'
 DI 8" - 17,026'
 PVC 6" - 2,129' page 7

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?
 Type DUCTILE IRON, PVC & COPPER Dia (inches) 2, 4, 6, 8, 12 Length (feet) 135
 Does your enterprise have a pipe replacement program? YES NO X If yes please indicate the type, size and length of replacement pipe installed during this past report year.

Type _____ Dia. (inches) _____ Length (feet) _____
 What is the frequency of flushing the distribution system? ONCE per year.
 Did you work your hydrants during the report year? YES X NO _____ Frequency TWICE.
 Do you work your valves? YES X NO _____ Frequency ONCE.
 Does your enterprise have an active leak detection program? YES X NO _____
 What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS, ETC.
 Does your enterprise have a cross connection control program? YES X NO _____
 Has water pressure been inadequate in any part of the system? YES _____ NO X
 If YES explain. _____

SYSTEM DISTRIBUTION MAP

To be Included in 1985 Annual Water Supply Report (due March 31, 1986) for all Community Water Systems. Community Water Systems permitted after Dec. 8, 1984, which have submitted a complete system distribution map with the permit application need submit only a system distribution map update.

Attach a detailed map of the distribution system showing, where available, pipe material and diameter, pressure, and direction of flow. The map should also locate sources, transmission lines, treatment facilities, storage facilities, and interconnections with other systems.

SYSTEM DISTRIBUTION MAP UPDATE

To be included annually by all Community Water Suppliers

Attach an update to the System Distribution Map, including as appropriate, description and plot plan of any water line extensions constructed during the period, including size, type, and location of the extensions and results of pressure surveys. For public water supplies with detailed mapping systems, updated revision sheets may be provided.

REPORTS, SURVEYS, PLANS

Attach copies of the following reports or updates for the report year.

1. Summary report of sanitary surveys.
2. Updates to the cross connection control program (if applicable).
3. Updates of the emergency response plan.

DISTRICT OFFICE

Do have any comment regarding your water system or this report?

CERTIFIED OPERATORS

NAME	PHONE Area Code - Number	CERTIFICATE NUMBER	TYPE	CLASS
RONALD P. USENICNIK	(412) 788-4167 Home (412) 788-4337 Work	W-5081	1	D
LARRY J. MEZYNSKI	(412) 926-4154 Home (412) 788-4337 Work	W-5280	1	D

PERSON PREPARING THIS REPORT

Name	M. M. PACELLA	Title	MANAGER
Street & Number	403 VIRGINIA DRIVE	Home phone	(412) 262-3168
City	OAKDALE, PA 15071	Office phone	(412) 788-4337
Signature	<i>M M Pacella</i>		

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	(SAME)	Title	
Street & Number		Home phone	()
City		Office phone	()

DISTRICT OFFICE

WA-104

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 91

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No
List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

ANNUAL WATER SUPPLY REPORT

Complete PWS I.D. #, name of supplier, and correct address below

REPORT FOR CALENDAR YEAR JAN 1 to DEC 31, 19 90
(Fill in previous year)☐ Insert an "X" in this box if the address below represents a changeRETURN BY MARCH 31: D.E.R. District Office or County Health Department Contact for your County.
(See enclosed contact list)

PWS I. D. # 5020034	Name of District, Division or System NORTH PAYETTE TOWNSHIP	Population served 9,537	County ALLEGHENY	PUC Regulated YES ☐ NO ☒
OWNERSHIP (Check one)				
☒ AUTHORITY / COMMISSION / DISTRICT ☐ MUNICIPALITY ☐ ASSOCIATION ☐ INVESTOR				
NAME OF WATER SUPPLIER WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY				
STREET AND NUMBER 403 VIRGINIA DRIVE		ZIP CODE		
CITY OAKDALE, PA 15071		☐ OTHER		

☐ FEDERAL
☐ STATE
☐ MOBILE HOME PARK

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water:	<u>213,484,400</u>	Gallons Per Year
AVERAGE DAILY WATER USE - Including purchased water (GPD): (Total water use for the year divided by 365 days).	<u>584,889</u>	Gallons Per Day
PEAK DAY WATER USE FOR REPORT YEAR:	<u>781,700</u>	Gallons Per Day
MINIMUM DAY WATER USE FOR REPORT YEAR:	<u>269,400</u>	Gallons Per Day

SERVICE CURTAILED TO CUSTOMERS DURING REPORT YEAR

DATES CURTAILED	REASON FOR CURTAILMENT		NATURE OF RESTRICTIONS
	FROM	TO	

METERING

What is the average age of existing meters? 22 years.

Are you currently installing meters at new connections? ☒ YES ☐ NO, unmetered connections? ☐ YES ☒ NO

Is there an active meter replacement program for your water system? ☐ YES ☒ NO

How many meters did you replace during the report year? APPROXIMATELY 100

AVERAGE DAILY WATER USE

TYPE	METERED CONNECTIONS		NONMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ⁴	NUMBER ²	WATER USE (GPD) ⁴
DOMESTIC	3,255	420,956	N/A	
COMMERCIAL	274	45,896		
INDUSTRIAL	19	7,027		
INSTITUTIONAL	27	35,937		
BULK SALES TO OTHER SUPPLIERS				
UNACCOUNTED FOR WATER ³		75,073		
OTHER				
TOTAL	3,575	584,889		

Is there a water conservation plumbing code in effect in your service area? YES ☒ NO ☐Did you provide water conservation information to your customers during the report year? YES ☒ NO ☐ FREQUENCY ONCE

PRESENT NUMBER OF CONNECTIONS SERVED

LIST PRESENT MUNICIPALITIES SERVED (Cities, Boroughs & Townships)	PRESENT NUMBER OF CONNECTIONS				PERCENT OF POPULATION SERVED
	Domestic ¹	Commercial	Industrial	Institutional	Other ²
NORTH FAYETTE TOWNSHIP	3,252	273	19	27	
FINDLAY TOWNSHIP	3	1			
TOTAL	3,255	274	19	27	

¹ Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter) ☒ YES ☐ NO² Explain "Other" connections: _____³ Total Number of Metered and Nonmetered Connections should equal "Present Number of connections served".⁴ Total Daily Water Use (GPD) for Metered and Nonmetered Connections should equal "Average Daily Water Use" noted on Page 1.⁵ Unaccounted For Water (Leakage, Fire, etc...) is the difference between the water produced at the source(s) and the water used by the customers.

DEPENDABLE DAILY OUTPUT THE WATER SYSTEM-SOURCES

Ph. J# 5020034

page 4

GROUNDWATER SOURCES (SPRINGS)	Is source metered	Average Daily Withdrawal ¹		Safe Yield or Minimum Production During Dry Years of Record (GPD) ²	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc...)		USE PERMANENT EMERGENCY Non-Use (code) ⁶	Reason for Period of Non-Use (code) ⁶
		Yes	No	(Days)	TYPE	CAPACITY (GPD)		
N/A				()				
				()				
				()				
				()				
				()				
TOTAL				()				

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE	Reason for: Period of Non-Use (code), ⁶
	PURCHASE FROM		SALE TO		FROM	TO		
	GPD	(Days)	GPD	(Days)				
								PERMANENT EMERGENCY
MUNICIPAL AUTHORITY TWP OF ROBINSON	546,422	665	N/A	()	893,000	N/A	X	
PA AMERICAN WATER COMPANY	38,467	365	N/A	()	100,000	N/A	X	
FINDELY TOWNSHIP WATER AUTHORITY	- 0 -	()	- 0 -	()	105,000	150,000	X	NN
TOTAL	584,889	665	- 0 -	()	1,098,000	150,000		

¹ Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

⁶ If the Safe Yield is based on actual pumping tests of the well or spring indicate this by putting a "T" in parenthesis after the number (T)

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	STORAGE CAPACITY (Gallons)
N/A		
TOTAL		

WA-110

SYS. CH	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION . (If applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE JRS OPERATION PER DAY
A	N/A			
B				
C				
D				

TREATMENT TYPE	IDENTIFY CHEMICALS USED IN EACH TYPE OF TREATMENT PROCESS			
	SYSTEM A (As defined above)	SYSTEM B (As defined above)	SYSTEM C (As defined above)	SYSTEM D (As defined above)
	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)
Disinfection				
Flocculation				
Coagulation				
Sedimentation				
Filtration				
Fluoridation				
Corrosion Control (Stabilization)				
Taste and Odor (Activated Carbon)				
Aeration				
Softening				
Iron and Manganese Removal				
Ammoniation				
Other				

Attach separate sheet for additional Treatment Systems.
Attach separate sheet for "Other" Treatment Types.

DISTRIBUTION SYSTEM

PWS ID # 5020034

DI - 8" - 2,325'
DI - 3" - 414' page 7

What is the type, size and length of new pipe installed as an extension to your present system during this past report year? DI - 4" - 690'

Type Ductile Iron & PVC Dia. (inches) 3", 4" 6" & 8" Length (feet) 5,367'

Does your enterprise have a pipe replacement program? YES NO X If yes please indicate the type, size and length of replacement pipe installed during this past report year.

Type Dia. (inches) Length (feet)

What is the frequency of flushing the distribution system? ONCE per year.

Did you work your hydrants during the report year? YES X NO Frequency TWICE.

Do you work your valves? YES X NO Frequency ONCE.

Does your enterprise have an active leak detection program? YES X NO

What type of equipment or methods do you use for leak detection? GEOPHONES, SOUNDING VALVES, HYDRANTS, SERVICE CONNECTIONS, ETC

Does your enterprise have a cross connection control program? YES X NO

Has water pressure been inadequate in any part of the system? YES NO X

If YES explain

SYSTEM DISTRIBUTION MAP

To be included in 1985 Annual Water Supply Report (due March 31, 1986) for all Community Water Systems. Community Water Systems permitted after Dec. 8, 1984, which have submitted a complete system distribution map with the permit application need submit only a system distribution map update.

Attach a detailed map of the distribution system showing, where available, pipe material and diameter, pressure, and direction of flow. The map should also locate sources, transmission lines, treatment facilities, storage facilities, and interconnections with other systems.

SYSTEM DISTRIBUTION MAP UPDATE

To be included annually by all Community Water Suppliers

Attach an update to the System Distribution Map, including as appropriate, description and plot plan of any water line extensions constructed during the period, including size, type, and location of the extensions and results of pressure surveys. For public water supplies with detailed mapping systems, updated revision sheets may be provided.

REPORTS, SURVEYS, PLANS

Attach copies of the following reports or updates for the report year.

1. Summary report of sanitary surveys.
2. Updates to the cross connection control program (if applicable).
3. Updates of the emergency response plan.

Do you have any comment regarding your water system or this report?

CERTIFIED OPERATORS

NAME	PHONE Area Code - Number	CERTIFICATE NUMBER	TYPE	CLASS
RONALD P. USENICNIK	(412) 788-4167	W-5081	1	D
LARRY J. MEZYNSKI	(412) 926-4154	W-5280	1	D

PERSON PREPARING THIS REPORT

Name	MRS. MINA M. PACELLA	Title	MANAGER
Street & Number	403 VIRGINIA DRIVE	Home phone	(412) 262-3168
City	OAKDALE, PA 15071	Office phone	(412) 788-4337
Signature			

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	SAME AS ABOVE	Title	
Street & Number		Home phone	()
City		Office phone	()
			WA-114

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 90

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted?

YES

Are any special restrictions imposed?

NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No

List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

NONE

Comments:

ER-B(10/85

Department of Environmental Resources
BUREAU OF COMMUNITY ENVIRONMENTAL CONTROL

ANNUAL WATER SUPPLY REPORT

Complete PWS I.D. #, name of supplier, and correct address below

REPORT FOR CALENDAR YEAR JAN. 1 to DEC. 31, 19 89
(Fill in previous year)☐ Insert an "X" in this box if the address below represents a changeRETURN BY MARCH 31: D.E.R. District Office or County Health Department Contact for your County.
(See enclosed contact list)

PWS I.D. #	5020034	Name of District, Division or System	Population served	County	PUC Regulated
NAME OF WATER SUPPLIER		NORTH FAYETTE TOWNSHIP	9,300	ALLEGHENY	YES ☐ NO ☒
OWNERSHIP (Check one)					
WESTERN ALLEGHENY COUNTY MUNICIPAL AUTH		☒ AUTHORITY / COMMISSION / DISTRICT			
STREET AND NUMBER		☐ MUNICIPALITY			
403 VIRGINIA DRIVE		☐ ASSOCIATION			
CITY		☐ INVESTOR			
OAKDALE, PA 15071		☐ OTHER			
		☐ FEDERAL			
		☐ STATE			
		☐ MOBILE HOME PARK			

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water: 212,556,400 Gallons Per Year

AVERAGE DAILY WATER USE - Including purchased water (GPD): 582,346 Gallons Per Day
[Total water use for the year divided by 365 days]

PEAK DAY WATER USE FOR REPORT YEAR: 856,000 Gallons Per Day

MINIMUM DAY WATER USE FOR REPORT YEAR: 137,000 Gallons Per Day

SERVICE CURTAILED TO CUSTOMERS DURING REPORT YEAR

DATES CURTAILED		REASON FOR CURTAILMENT	NATURE OF RESTRICTIONS
FROM	TO		
		NONE	

METERING

What is the average age of existing meters? 21 years.

Are you currently installing meters at new connections? ☒ YES ☐ NO, unmatered connections? ☐ YES ☒ NOIs there an active meter replacement program for your water system? ☐ YES ☒ NO

How many meters did you replace during the report year? N/A

DISTRICT OFFICE

WA-117

AVERAGE DAILY WATER USE

TYPE	METERED CONNECTIONS		NONMETERED CONNECTIONS	
	NUMBER ¹	WATER USE (GPD) ⁴	NUMBER ²	WATER USE (GPD) ⁴
DOMESTIC	3,126	411,112	N/A	
COMMERCIAL	156	43,622		
INDUSTRIAL	17	15,603		
INSTITUTIONAL	26	36,041		
BULK SALES TO OTHER SUPPLIERS				
UNACCOUNTED FOR WATER ³		75,968		
OTHER				
TOTAL	3,325	582,346		

Is there a water conservation plumbing code in effect in your service area? YES ☒ NO ☐Did you provide water conservation information to your customers during the report year? YES ☒ NO ☐ FREQUENCY ONCE

PRESENT NUMBER OF CONNECTIONS SERVED

LIST PRESENT MUNICIPALITIES SERVED (Cities, Boroughs & Townships)	PRESENT NUMBER OF CONNECTIONS				PERCENT OF POPULATION SERVED
	Domestic ¹	Commercial	Industrial	Institutional	Other ²
NORTH FAYETTE TOWNSHIP	3,122	155	17	26	
FINDLAY TOWNSHIP	4	1			
TOTAL	3,126	156	17	26	

¹ Is the number of "Domestic" connections listed above equal to the number of dwelling units served? (The number of connections does not equal the number of dwelling units in systems where several homes or apartments are served with one meter) ☒ YES ☐ NO² Explain "Other" connections: _____³ Total Number of Metered and Nonmetered Connections should equal "Present Number of connections served".⁴ Total Daily Water Use (GPD) for Metered and Nonmetered Connections should equal "Average Daily Water Use" noted on Page 1.⁵ Unaccounted For Water (Leakage, Fire, etc...) is the difference between the water produced at the source(s) and the water used by the customers.

DISTRICT OFFICE

WA-118

九

Are water levels monitored in each well? YES NO

*Enter appropriate code(s): See instruction for codes.

WA-119

PW. # 5020034 DEPENDABLE DAILY OUTPUT / THE WATER SYSTEM-SOURCES

PW. # 5020034	GROUNDWATER SOURCES (SPRINGS)		Is source metered	Average Daily Withdrawal ¹		Safe Yield or Minimum Production During Dry Years of Record (GPD) ²	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc.)		USE PERMANENT EMERGENCY Non-Use (code) ³	Reason for Period of Non-Use
				GPD	(Days)		TYPE	CAPACITY (GPD)		
N/A			()							
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INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE	Reason for Period of Non-Use (ccde) ³
	PURCHASE FROM		SALE TO		FROM	TO	PERMANENT EMERGENCY	
	GPD	(Days)	GPD	(Days)				
ROBINSON TOWNSHIP MUN. AUTH.	544,433	(365)	N/A	()	893,000	N/A	X	
PA AMERICAN WATER COMPANY	37,913	(365)	N/A	()	100,000	N/A	X	
FINDLAY TWP WATER AUTHORITY	0	()	0	()	105,000	150,000	X	NN
TOTAL	582,346	(365)	0	()	1098,000	150,000		

¹ Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

² If the Safe Yield is based on actual pumping tests of the well or spring indicate this by putting a "T" in parenthesis after the number (T).

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	STORAGE CAPACITY (Gallons)
N/A		
TOTAL		WA-120

SY	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION P (If ap- plicable) Gallons per Day	T CAPACITY (If ap- plicable) Gallons per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE OPERATION PER DAY
A	N/A				
B					
C					
D					

TREATMENT TYPE	IDENTIFY CHEMICALS USED IN EACH TYPE OF TREATMENT PROCESS			
	SYSTEM A (As defined above)	SYSTEM B (As defined above)	SYSTEM C (As defined above)	SYSTEM D (As defined above)
	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)
Disinfection				
Flocculation				
Coagulation				
Sedimentation				
Filtration				
Fluoridation				
Corrosion Control (Stabilization)				
Taste and Odor (Activated Carbon)				
Aeration				
Softening				
Iron and Manganese Removal				
Ammoniation				
Other				

Attach separate sheet for additional Treatment Systems.
Attach separate sheet for "Other" Treatment Types.

DISTRICT OFFICE

WA-121

[illegible]

ADEQUACY OF SYSTEM

If yield, storage or treatment capacity is presently inadequate or will be inadequate within the next five years what is your schedule for improvements which will provide for adequate capacity? Explain below. Attach additional sheets if necessary.

WA-122

DISTRICT OFFICE

DISTRIBUTION SYSTEM

page 7

What is the type, size and length of new pipe installed as an extension to your present system during this past report year? 6" - 310 Feet

Type Ductile Iron Dia. (Inches) 6", 8", 12" Length (feet) 8" - 1,410 Feet

Does your enterprise have a pipe replacement program? YES NO X If yes please indicate the type, size and length of replacement pipe installed during this past report year. 12" - 3,142 Feet

Type _____ Dia. (Inches) _____ Length (feet) _____

What is the frequency of flushing the distribution system? Once per year.

Did you work your hydrants during the report year? YES X NO _____ Frequency Twice.

Do you work your valves? YES X NO _____ Frequency Once.

Does your enterprise have an active leak detection program? YES X NO _____

What type of equipment or methods do you use for leak detection? Geophones, Sounding Valves, Hydrants, Service Connections, Etc.

Does your enterprise have a cross connection control program? YES X NO _____

Has water pressure been inadequate in any part of the system? YES _____ NO X

If YES explain. _____

SYSTEM DISTRIBUTION MAP

To be included in 1985 Annual Water Supply Report (due March 31, 1986) for all Community Water Systems. Community Water Systems permitted after Dec. 8, 1984, which have submitted a complete system distribution map with the permit application need submit only a system distribution map update.

Attach a detailed map of the distribution system showing, where available, pipe material and diameter, pressure, and direction of flow. The map should also locate sources, transmission lines, treatment facilities, storage facilities, and interconnections with other systems.

SYSTEM DISTRIBUTION MAP UPDATE

To be included annually by all Community Water Suppliers

Attach an update to the System Distribution Map, including as appropriate, description and plot plan of any water line extensions constructed during the period, including size, type, and location of the extensions and results of pressure surveys. For public water supplies with detailed mapping systems, updated revision sheets may be provided.

REPORTS, SURVEYS, PLANS

Attach copies of the following reports or updates for the report year.

1. Summary report of sanitary surveys.
2. Updates to the cross connection control program (if applicable).
3. Updates of the emergency response plan.

WA-123

DISTRICT OFFICE

Do you have any comment regarding your water system or this report?

CERTIFIED OPERATORS

NAME	PHONE Area Code - Number	CERTIFICATE NUMBER	TYPE	CLASS
RONALD P. USENICK	(412) 788-4167	W 5081	1	D
LARRY J. MEZYNSKI	(412) 926-4154	W 5280	1	D

PERSON PREPARING THIS REPORT

Name	Mrs. Mina M. Pacella	Title	Manager
Street & Number	403 Virginia Drive	Home phone	(412) 262-3168
City	Oakdale, PA 15071	Office phone	(412) 788-4337
Signature	<i>Mina M. Pacella</i>		

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	SAME AS ABOVE			Title
Street & Number				Home phone ()
City	Zip code	Office phone ()		

WA-124

DISTRICT OFFICE

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 89

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No

List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

NONE

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

Comments:

Commonwealth of Pennsylvania
Department of Environmental Resources
BUREAU OF COMMUNITY ENVIRONMENTAL CONTROL

ANNUAL WATER SUPPLY REPORT

Complete PWS I.D. #, name of supplier, and correct address below

REPORT FOR CALENDAR YEAR JAN. 1 to DEC. 31, 1988
(Fill in previous year)

☐ Insert an "X" in this box if the address below represents a change

RETURN BY MARCH 31: D.E.R. District Office or County Health Department Contact for your County.
(See enclosed contact list)

PWS I.D.# 5020034	Name of District, Division or System North Fayette Township	Population served 9,300	County Allegheny	P U C Regulated YES ☐ NO ☒
NAME OF WATER SUPPLIER Western Allegheny County Mun. Authority				
STREET AND NUMBER 403 Virginia Drive				
CITY Oakdale, PA 15071				
OWNERSHIP (Check one)				
☒ AUTHORITY / COMMISSION / DISTRICT				
☐ MUNICIPALITY				
☐ ASSOCIATION				
☐ INVESTOR				
ZIP CODE				
OTHER ☐				
☐ FEDERAL				
☐ STATE				
☐ MOBILE HOME PARK				

WATER USE FOR REPORT YEAR

TOTAL WATER USE FOR REPORT YEAR - Including purchased water: 200,044,275 Gallons Per Year
AVERAGE DAILY WATER USE - Including purchased water (GPD): 548,067 Gallons Per Day
(Total water use for the year divided by 365 days)
PEAK DAY WATER USE FOR REPORT YEAR: 887,000 Gallons Per Day
MINIMUM DAY WATER USE FOR REPORT YEAR: 240,000 Gallons Per Day

SERVICE CURTAILED TO CUSTOMERS DURING REPORT YEAR

DATES CURTAILED		REASON FOR CURTAILMENT	NATURE OF RESTRICTIONS
FROM	TO		
1/5/88	1/10/88	Ashland Oil Spill	Strict conservation orders to those customers whose water source was not depleted

METERING

What is the average age of existing meters? 20 years.
Are you currently installing meters at new connections? X YES NO, unmetered connections? N/A YES NO
Is there an active meter replacement program for your water system? YES X NO
How many meters did you replace during the report year? N/A

SURFACE WATER SOURCES (Name of River, Creek, Stream, Run, Lake, Pond or Reservoir)	Is source metered		Average Daily Withdrawal ⁷		Safe Yield or Minimum Production During Dry Years of Record (GPD) ⁸	Facilities which limit the Total Daily Output (eg. Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc.)		USE	Reason for Period of Non-Use (code) ⁶
	Yes	No	GPD	(Days)		TYPE	CAPACITY (GPD)		
N/A				()					
				()					
				()					
				()					
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				()					
				()					
				()					
				()					
TOTAL				()					

[illegible]

Are water levels monitored in each well? YES _____ NO _____

*Enter appropriate code(s): See instruction for codes.

WA-129

DEPENDABLE DAILY OUTPUT (THE WATER SYSTEM-SOURCES

page 4

GROUNDWATER SOURCES (SPRINGS)	Is source metered	Average Daily Withdrawal		Safe Yield or Minimum Production During Dry Years of Record (GPD) ⁵	Facilities which limit the Total Daily Output (eg., Raw Water Pumps, Treatment Works, Transmission Mains, Distribution Systems, etc...)		USE		Reason for Period of Non-Use (code) ⁶
		GPD	(Days)		TYPE	CAPACITY (GPD)	PERMANENT	EMERGENCY	
N/A	Yes No		()						
			()						
			()						
			()						
			()						
			()						
			()						
TOTAL			()						

INTERCONNECTIONS WITH OTHER WATER SUPPLIERS

NAME OF OTHER SUPPLIER	AVERAGE DAILY WATER TRANSFERRED				MAXIMUM WATER TRANSFER CAPABILITY (GPD)		USE	Reason for Period of Non-Use (code) ⁶
	PURCHASE FROM GPD	(Days)	SALE TO		FROM	TO	PERMANENT EMERGENCY	
			GPD	(Days)				
Robinson Twp. Mun. Authority	514,189	(365)	N/A	()	893,000	N/A	X	
Western PA Water Company	31,590	(365)	N/A	()	100,000	N/A	X	
Findlay Twp. Water Authority	2,288	(8)	0	()	105,000	150,000	X	NN
TOTAL	548,067	(365)	0	()	1,098,000	150,000		

⁷ Average Daily Withdrawal of all surface and ground water sources, including purchased water if any, should be equal to the "Total Average Daily Water Use" indicated on page 2. (See instruction sheet).

⁸ If the Safe Yield is based on actual pumping tests of the well or spring indicate this by putting a "T" in parenthesis after the number (T).

RAW WATER STORAGE

NAME OF RAW WATER INTAKE DAMS, IMPOUNDING DAMS, RESERVOIRS OR STORAGE TANKS	LOCATION (Body of water if applicable)	STORAGE CAPACITY (Gallons)
N/A		
TOTAL		WA-130

SYSTEM	TREATMENT SYSTEM IDENTIFICATION (Name, Location or Description)	FILTRATION PLANT CAPACITY (if applicable) Gallons Per Day	AVERAGE SYSTEM PRODUCTION Gallons Per Day	AVERAGE HOURS OPERATION PER DAY
A	N/A			
B				
C				
D				

TREATMENT TYPE	IDENTIFY CHEMICALS USED IN EACH TYPE OF TREATMENT PROCESS			
	SYSTEM A (As defined above)	SYSTEM B (As defined above)	SYSTEM C (As defined above)	SYSTEM D (As defined above)
N/A	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)	ALL (100%) PARTIAL (ESTIMATE %) NONE (%)
Disinfection				
Flocculation				
Coagulation				
Sedimentation				
Filtration				
Fluoridation				
Corrosion Control (Stabilization)				
Taste and Odor (Activated Carbon)				
Aeration				
Softening				
Iron and Manganese Removal				
Ammoniation				
Other				

Attach separate sheet for additional Treatment Systems.

Attach separate sheet for "Other" Treatment Types.

DISTRIBUTION SYSTEM

What is the type, size and length of new pipe installed as an extension to your present system during this past report year?

Type Ductile Iron Dia. (Inches) 8" Length (feet) 1,825

Does your enterprise have a pipe replacement program? YES X NO X If yes please indicate the type, size and length of replacement pipe installed during this past report year.

Type _____ Dia. (Inches) _____ Length (feet) _____

What is the frequency of flushing the distribution system? Once per year.

Did you work your hydrants during the report year? YES X NO NO Frequency Twice.

Do you work your valves? YES X NO NO Frequency Once.

Does your enterprise have an active leak detection program? YES X NO NO.

What type of equipment or methods do you use for leak detection? Geophones, Sounding Valves, Hydrants, Service Connections,

Does your enterprise have a cross connection control program? YES X NO NO Etc.

Has water pressure been inadequate in any part of the system? YES NO X

If YES explain.

SYSTEM DISTRIBUTION MAP

To be included in 1985 Annual Water Supply Report (due March 31, 1986) for all Community Water Systems. Community Water Systems permitted after Dec. 8, 1984, which have submitted a complete system distribution map with the permit application need submit only a system distribution map update.

Attach a detailed map of the distribution system showing, where available, pipe material and diameter, pressure, and direction of flow. The map should also locate sources, transmission lines, treatment facilities, storage facilities, and interconnections with other systems.

SYSTEM DISTRIBUTION MAP UPDATE

To be included annually by all Community Water Suppliers

Attach an update to the System Distribution Map, including as appropriate, description and plot plan of any water line extensions constructed during the period, including size, type, and location of the extensions and results of pressure surveys. For public water supplies with detailed mapping systems, updated revision sheets may be provided.

REPORTS, SURVEYS, PLANS

Attach copies of the following reports or updates for the report year.

1. Summary report of sanitary surveys.
2. Updates to the cross connection control program (if applicable).
3. Updates of the emergency response plan.

Do you have any comment regarding your water system or this report?

CERTIFIED OPERATORS

NAME	PHONE Area Code - Number	CERTIFICATE NUMBER	TYPE	CLASS
Ronald P. Usenichnik	412 788-4167	W 5081	1	D
Larry J. Mezynski	412 926-4154	W 5280	1	D

PERSON PREPARING THIS REPORT

Name	Mrs. Mina M. Pacella	Title	Manager
Street & Number	403 Virginia Drive	Home phone	(412) 262-3168
City	Oakdale, PA 15071	Office phone	(412) 788-4337
Signature	<i>Mina M. Pacella</i>		

PERSON TO CONTACT (between 8 am & 4 pm) REGARDING THIS REPORT

Name	Same As Above	Title	
Street & Number		Home phone	()
City		Office phone	()
			WA-134

Commonwealth of Pennsylvania
Department of Environmental Resources
Bureau of Community Environmental Control
Division of Water Supplies

SANITARY SURVEY SUMMARY REPORT
(To be attached to Annual Water Supply Report)

For report year 19 88

This form may be used to complete the requirement of #1 under the REPORTS, SURVEY, PLANS section. This form summarizes sanitary survey information not found elsewhere in the Annual Water Supply Report. Answer all questions completely. If there is no answer, write in NONE. Provide additional sheets if necessary.

SYSTEM NAME: WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

COUNTY: ALLEGHENY

PWS I.D. #: 5020034

SOURCE PROTECTION

List all potential sources of pollution that may affect your watershed or well sites. (Sewage facilities, industrial waste facilities, farm or wild animals, fertilizer, pesticides, roadway spills, timbering operations, mining operation, recreational activities, etc.)

NONE

What sources of pollution have been causing problems? Explain.
(Frequency, nature of problem, etc.)

NONE

What is being done to correct the problem?

N/A

Are the reservoir areas or well sites fenced and/or posted? YES
Are any special restrictions imposed? NO

OPERATION AND MAINTENANCE

Do you have back-up disinfection equipment readily available? Yes X No

List any disinfection or other chemical storage or handling problems you have experienced during the report year. Explain.

NONE

List any water quantity (shortage) problems including any pumping or pressure problems experienced during the report year. Explain.

Loss of all water purchased from Robinson Township Authority
January 5, 1988 through January 10, 1988, due to the Ashland
Oil Spill.

List any major equipment or process maintenance problems you have experienced during the report year. Explain status (replaced, under repair, etc.).

NONE

List any water storage problems experienced during the report year. (insufficient storage, leakage, aging, etc.)

NONE

List any other system deficiencies and recommended solutions.

HAVE PLANS TO INSTALL A SURGE RELIEF VALVE IN THE HIGH PRESSURE
AREA OF OUR SYSTEM TO REDUCE THE NUMBER OF MAIN LINE BREAKS.

Comments:

SOURCES OF WACMA WATER FROM 1988 THROUGH 2002

<u>YEAR</u>	<u>MATR</u>	<u>%</u>	<u>FINDLAY/MOON*</u>	<u>%</u>	<u>PAWC</u>	<u>%</u>
1988	514,189	93.8	2,288	<1	31,590	5.75
1989	544,433	93.5	0	0	37,913	6.5
1990	546,422	93.4	0	0	38,467	6.6
1991	603,260	92.9	0	0	46,104	7.1
1992	634,503	93.8	0	0	42,088	6.2
1993	732,753	94.0	0	0	46,979	6.0
1994	781,529	93.0	0	0	58,830	7.0
1995	732,378	91.9	0	0	64,656	8.1
1996	748,998	91.6	0	0	68,492	8.4
1997	790,274	89.2	7,351	<1	88,738	10.0
1998	742,795	77.1	147,444	15.3	72,871	7.6
1999	822,433	72.0	302,167	26.5	17,622	1.5
2000	885,000	72.4	335,000	27.4	3,000	<1
2001	851,000	66.0	418,000	32.5	19,000	1.5
2002	<u>1,074,926</u>	<u>79.5</u>	<u>263,655</u>	<u>19.5</u>	<u>13,186</u>	<u>1.0</u>
TOTALS	11,004,893	83.8	1,475,905	11.2	649,536	5.0

All annual amounts represent average daily usage, gallons per day.

ξ Moon did not begin supplying water until 1997. Findlay has not provided water since 1997. The 1997 average GPD for "Findlay/Moon" combined the amounts for both authorities.

Source: WACMA's Annual Water Supply Reports.

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MATR Ex. 4
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MATR HEARING EXHIBIT 4

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EXCERPTS FROM BRIEFS
TAKEN FROM THE RECORD AT DOCKET NO. R-00943231
(PAWC'S 1994-1995 RATE PROCEEDING)
RELATING TO THE INTENDED SCOPE AND PURPOSE
OF PAWC'S RATE RIDERS DRS, DIS AND EGS

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MATR HEARING

EXHIBIT 5-A

MATR. Ex 5-A
C-20030092
1-21-04
PITTS
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**INDEX OF BRIEF EXCERPTS
TAKEN FROM THE RECORD AT DOCKET NO. R-00943231**

1. PAWC Initial Brief, p. 101
2. PAWC Reply Brief, pp. 44, 47
3. OCA Main Brief, pp. 129, 136, 146, 149-150
4. OCA Reply Brief, pp. 47-49, 53
5. OTS Main Brief, pp. 38, 43

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, ET AL.

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No. R-00943231
(1994)

DOCKETED

APR 18 1995

INITIAL BRIEF OF RESPONDENT

PENNSYLVANIA-AMERICAN WATER COMPANY

Before Administrative Law Judge
Robert A. Christianson

Thomas P. Gadsden
Anthony C. DeCusatis

Counsel for Pennsylvania-
American Water Company

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, Pennsylvania 19103
(215) 963-5234

DATE: April 18, 1995



ORIGINAL

B. Proposed Rate EGS And Riders DIS And DRS

The Company has proposed to add Riders DIS ("Demand Industrial Service") and DRS ("Demand Resale Service") respectively, to its existing industrial and sale for resale rate schedules. The proposed riders would enable it to separately negotiate rates with qualifying high load factor customers who can establish: (1) that they have available to them a viable competitive alternative to service from PAWC, such as the development of their own supply sources, the relocation of facilities or the installation of recycling equipment; and (2) that they intend to pursue that alternative to the detriment of PAWC and its other customers. In addition, the Company is proposing to add Rate EGS ("Electric Generating Service"), which would provide similar negotiating flexibility when dealing with cogenerators and other electric generating facility customers (PAWC St. 5, pp. 5-6).

Three contrasting positions have been expressed regarding the proposed Riders and Rate EGS. PAWLUG's witness, Dr. Robert Romanchek, strongly supports the concept of discounted "economic development" rates for large industrial customers and argued that the eligibility criteria set forth in Rider DIS should be loosened considerably (PAWLUG St. 1, pp. 20-23). Mr. David F. Keim, on behalf of the OTS, did not disagree with the eligibility criteria, but proposed a minimum or "floor" price that would

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
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PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No. P-0394-231
1994

REPLY BRIEF OF RESPONDENT
PENNSYLVANIA-AMERICAN WATER COMPANY

Before Administrative Law Judge
Robert A. Christianson

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INFO. CONTROL DIV.

POOR ORIGINAL

Thomas P. Gadsden
Anthony C. DeCusatis

Counsel for Pennsylvania-
American Water Company

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, Pennsylvania 19103
(215) 963-5234

DATE: April 28, 1995

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APR 29 1995

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**OVERSIZED
DOCUMENT(S)**

As explained in PAWC's Initial Brief at 114-116, the "minimum" price that would result from Mr. Keim's proposal would equal or exceed the tail block of the industrial rate schedule. A minimum price that high would provide insufficient flexibility for the Company to negotiate a price likely to retain a customer that is seriously contemplating a competitive alternative.

Unfortunately, in its Brief, the OTS has gone well beyond the proposals discussed by its witness on the record. For the first time in this proceeding, the OTS has proposed that "if Rider DIS is adopted by the Commission, any revenue shortfall resulting therefrom should be shared by the Company and its customers" (OTS Brief, p. 44). Obviously, the introduction of this new issue at this late stage of the proceeding is improper. If such a condition were to be proposed, it should have been presented on the record, since it clearly involves issues of a factual nature that should be developed through testimony and other evidence. For this reason alone, the OTS' "sharing" proposal should be rejected.

Moreover, the OTS' reference to a revenue "shortfall" underscores its fundamental misunderstanding of the circumstances under which Rider DIS would come into play. That Rider would apply to an existing customer only if, in the absence of some action by the Company, the customer would leave the system. By negotiating a lower rate under Rider DIS, the Company could preserve a contribution to fixed cost recovery that, while

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unjustified price reductions, the Company has ample incentive to apply the Riders and Rate EGS only in those instances where negotiated, below-tariff rates will provide contributions to fixed-cost recovery that otherwise would not occur. For the same reasons, the Company will have substantial motivation to negotiate the highest alternative price it can reasonably obtain.

For all of the foregoing reasons, the Company's proposal to introduce Rate EGS and Riders DIS and DRS as a limited "pilot" program is sensible and should be approved. Objections by the OCA and OTS that the Company's proposal goes too far, and by PAWLUG that it does not go far enough, should be rejected.

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COMMISSION

v.

Docket No. R 00943231

PENNSYLVANIA-AMERICAN WATER CO.

MAIN BRIEF
OF
THE OFFICE OF CONSUMER ADVOCATE

Dianne E. Dusman
Assistant Consumer Advocate

Mark J. Shostak
Assistant Consumer Advocate

Lisa L. McGuinn
Counsel, Pro Hac Vice

For:

Irwin A. Popowsky
Consumer Advocate

Office of Attorney General
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

DATED: April 18, 1995

ORIGINAL

becoming effective. Id. at 16. As was recognized by all involved, a discount rate would necessarily lead to a revenue shortfall, which would have to be dealt with in some manner in the next base rate case. Tr. 1139, 1142, 1146, 1154, 1167, 1181, 1184. Governmental advocates and other interested tariff rate customers, for that matter, should be afforded the ability to scrutinize the circumstances pursuant to which the Company would be inclined to negotiate a discount rate, the terms of any resulting agreement, and all should be subject to Commission approval prior to implementation. The OCA submits that prior to consideration of a discount rate for any PAWC customer, the Commission should have the ability and opportunity to review the specific factual circumstances to determine whether, in fact, a discounted rate is necessary to retain a large volume customer on the system, and, if so, in what amount. OCA St. 3 at 17-18.

Affording the opportunity for case-by-case review will increase the likelihood that all relevant factors are examined. Id. at 18. As Mr. Catlin pointed out, all customers would prefer to pay lower rates. Id. Case-by-case review will better enable those who may later be burdened with the revenue shortfall created by the discount to check that the revenues are maximized and that only the minimum discount necessary to retain the customer is offered. Id.

Moreover, although the minimum rate to be charged eligible customers is not specified in the tariff itself, the Company indicated that it would be equal to the cost to produce

1991, and those hypothetically presented by PAWC in support of its proposed tariffs in this base rate proceeding.

In support of its position to exclude Foster Wheeler from the increase, and to base its rate upon other than cost of service considerations, Roaring Creek had asserted that its largest customer "represent[ed] a unique situation due to its capability and past consideration of developing its own supply of water." 150 PUR4th at 489. The Company asserted further that "the reasonableness of the Foster Wheeler rate should be evaluated on the basis of whether the rate is covering the incremental costs being incurred in providing the service and whether the rate provides some contribution toward the fixed costs of the system which would otherwise be borne by the remaining customers." *Id.* In the present proceeding, without providing evidence of any specific existing by-pass alternatives, PAWC asserts that its proposals will enable it to counter by-pass threats and retain high-volume customers by negotiating rates based upon other than cost-of-service considerations. PAWC St. 5 at 5-6.

Despite Roaring Creek's contentions, which are similar to PAWC's rationale for the proposed riders herein (although specific to the Foster Wheeler rate), the Commission expressly found that the contractual rate conferred an unreasonable preference in violation of Section 1304 of the Public Utility Code, 66 Pa.C.S. §1304. The Commission went on to conclude that the rate was also violative of Section 1301 of the Code, 66 Pa.C.S. §1304, as a rate which confers an unreasonable preference cannot be a just and

proposals, as the Industrial and Resale classes already have the lowest rates on the system as well as the lowest relative rates of return. OCA St. 3, Sch. TSC 1, Tr. 1205

iii. The Position of the PAWLUG

The PAWLUG offered the testimony of Dr. Robert Romancheck on proposed Rider DIS. Dr. Romancheck offered his opinion that the eligibility requirements for Rider DIS are "overly restrictive." PAWLUG St. 1 at 21-22. He recommended that the Company's threshold volumetric requirement be less than the 20,000,000 gallons per month proposed by PAWC. *Id.* He also proposed that Rider DIS contain an annual minimum usage of 100 million gallons per year, rather than the 20 million gallons per month. *Id.* According to Mr. Romancheck, this would render fourteen of the largest PAWC customers eligible for discount rates. *Id.* He recommended further that the 60 per cent load factor be eliminated, as potentially having adverse impacts upon conservation, contending that customers might tend to waste water to meet the load factor requirements. *Id.* He also recommended that the Company be given the discretion to negotiate with any existing sizeable customer that produces sound documentation that they will leave the Company's system because of a viable option. *Id.* at 22-23.

As even the Company recognized, Mr. Romancheck's recommendations concerning the proposed Rider DIS should not be given consideration by the Commission in deciding these proposals. Mr. Robowski testified on rebuttal that the Company would withdraw the proposal, rather than modify it as suggested by Mr. Romancheck.

Testimony of QTS witness Kalcic and QTS witness Catlin. Mr. Kalcic agreed with Mr. Catlin's primary concern that the terms of any competitive service agreement need to be in the best interest of all the ratepayers. ARMCO St. 1 at 6. He did not agree, however, that the case-by-case approach is necessary to protect that interest. Id. at 7. Mr. Kalcic maintained that the fact that any prospective discount will erode revenue margins currently accruing to shareholders provides an adequate incentive to negotiate rates only with those customers who exhibit viable competitive alternatives and to minimize the amount of any discount. Id. He also takes issue with Mr. Catlin's testimony concerning the inability of the Company to compete with bypass alternatives in districts in which the price of purchased water is \$1.03 to \$3.20 per thousand gallons. Id. Mr. Kalcic expresses his opinion that the Company has no incentive to discount rates below the short-term incremental cost of supplying water in these districts, as it would result in a negative margin to shareholders. Id. at 9. He further states that the concerns about the discount contract rate slipping below the long-run incremental cost of the contract could be met by providing for a maximum contract term of five years. Id.

Mr. Catlin responded to Mr. Kalcic's testimony in oral surrebuttal. Tr. 1206-1208. He expressed his general agreement with Mr. Kalcic that both "economic" and "uneconomic" bypass possibilities exist. Tr. 1206. He noted that the difference in their positions is how to ensure that only the discounts necessary to retain customers and to avoid uneconomic retention of customers

are given. Id. He disagreed with Mr. Kalcik that absorbing the loss of margin between rate cases is a sufficient incentive to minimize the discount, because as PAWC files rate cases on an annual basis, the consummation of service agreements could be timed such that the revenue reduction can substantially coincide with the recognition in rates. Tr. 1207. Mr. Catlin concluded by stating that no party had demonstrated the ability to provide a competitive alternative supply that would enable it to qualify for a load retention rate -- but, again, if that were to become possible, it could be dealt with on a case-by-case basis. Tr. 1207.

ARMCO cross examined OCA witness Catlin concerning his recommendation against the riders and adoption of a case-by-case approach, suggesting that if there is no tariff, the criteria for approving or disapproving the tariffs "could vary from case to case." Tr. 1211. Mr. Catlin responded:

I think that they could vary from case to case, but certainly there has been a fairly extensive record developed in this case of the types of things that various parties agree should be considered, and whether the Commission approves the tariff or not. They would certainly have the opportunity to state in their order the types of things they would want to see or expect to see in order to allow such a discount. Moreover, . . . there is a great deal that has been left open, and, in fact, that was one of the concerns about the tariff that the Company has proposed. A few criteria are dealt with, but there are many other issues that have to be dealt with. . . .

Tr. 1212. As stated above, ARMCO put on no direct case, but was initially suggested to be the only PAWC customer who may be eligible to negotiate pursuant to Rider DIS. It became clear

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Docket No. R-00943231

REPLY BRIEF
OF
THE OFFICE OF CONSUMER ADVOCATE

Dianne E. Dushman
Assistant Consumer Advocate

Mark J. Shostak
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Lisa L. McGuinn
Counsel, Pro Hac Vice

For:

Irwin A. Popowsky
Consumer Advocate

Office of Attorney General
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

DATED: April 28, 1995

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specific rate, and would permit the charging of a long-term discount rate to certain customers, without prior review of any specific rate by the Commission or other interested parties, they are unjust and unreasonable, contrary to Sections 1301 and 1302 of the Public Utility Code. 66 Pa.C.S. §§ 1301, 1302; OCA M.B. at 132-134, 137-142. In addition, no present need exists for any of the three proposals, as only one customer arguably qualifies (ARMCO) and a case-by-case approach to competitive situations for water utilities should be retained. OCA M.B. at 127-132; 148-151.

As the OCA has fully explained its position against these Riders in Main Brief, it will not reiterate those arguments. This portion of the Reply Brief will be limited to those assertions which have been made by the Company and the other parties which require further explanation and response.

- B. Economic Considerations In The Water Utility Area Vary Substantially From Those In Electric And Gas; Therefore, The Assertions Of PAWLUG And ARMCO That Discount Rate Riders In The Electric And Gas Industries Support Approval Of A Similar Tariff In The Water Industry Must Be Rejected.

The positions of PAWLUG and ARMCO are similar. Each submits that the Commission should do for this water utility what it has done for many gas and electric utilities; that is, essentially to sanction negotiation of a long-term discount rate for a large customer, where that customer has a less expensive alternative to utility service and will leave the Company's system in favor of that alternative. See ARMCO I.B. at 2, 10; PAWLUG M.B. at 4-6. The existence of negotiable rates for some gas and electric customers-- while others do not have that option.

however, is beginning to be questioned. As noted by Commissioner Hanger in a recent Statement, permitting negotiation for some customers at the expense of shareholders or ratepayers, while others have no choice but to pay the tariff rate is not "sustainable." See Pa. P.U.C. v. Pennsylvania Electric Co., Docket No. R-00943281 (Feb. 27, 1995) (attached to this Reply Brief in Appendix A) at 3-4. The OCA submits that the Commission should not open the door to the same type of scenario for water utilities. Approval of the Company's proposed Riders, even as an experimental or pilot program, would be a step in the direction of creating an unsustainable water industry structure, similar to those which have evolved for electric and gas companies in the process of moving into a competitive environment.

In the energy world, gas and electric utility companies compete with each other to a limited extent as a fuel provider. Additional competition is present for some uses from nonregulated entities who sell fuel oil and coal. In some instances, where LDC service territories overlap, gas companies even compete with each other for load. In the case of water, however, there is no substitute for it, nor are there overlapping service territories. Water is a basic human need for which no one can offer an alternative. On the other hand, there are alternative sources from which water can be drawn or supplied -- and this fact is the only reason that "competitive alternatives" exist to water utility service. Interestingly, water is the only utility area in which residential customers can conceivably create their own competitive

alternative. While residential gas and electric customers cannot generally drill a natural gas well, nor generate their own electricity, some residential customers can drill wells. Perhaps because of this fact, permitting negotiation of long term rates for industrial and resale customers and not permitting the same for residential customers who can actually compete, would be particularly unfair. As was pointed out by PAWC witness Robowski, if you permitted anyone who could provide their own water source to negotiate, you could get calls from "just about anybody; whatever it is, 390,000 people." Tr. 1151-1152.

As stated above, however, both ARMCO and PAWLUG make the argument that because discount rate tariffs exist for gas and electric, and not for water, it is high time for the Commission to permit water utilities the same latitude. ARMCO I.B. at 2, 10; PAWLUG M.B. at 4-6. What these parties overlook, however, is the difference in the nature and extent of "competition" in the water utility world. More important, they also overlook the fact that costs of providing water service is constantly increasing, not decreasing - and that in the case of natural gas, a surplus of capacity exists, rendering the economics for that industry vastly different than in water. As OCA witness Catlin pointed out on cross-examination by ARMCO, when asked why load retention tariffs, similar to those in natural gas, should not be adopted for water:

A. . . . I think in general it is the case in the gas industry that there is a surplus of capacity; the gas demands today are substantially less than their all-time peaks from most LDCs and on just about all the pipelines with which I am familiar. So in

intend even to file the resulting service agreements with the Commission.

In reality, PAWC proposes no regulatory review whatsoever of the rates which would result from the negotiations with its largest customers. ARMCO and PAWLUG do not specifically respond to this point concerning the absence of regulatory review, either.²⁴ The lack of regulatory review, for an industry which has never had such a tariff and for a company whose would-be negotiators are admittedly "rookies" in this area (Tr. 425), requires the proposals to be rejected.

According to PAWC, ARMCO and PAWLUG, the Commission's only role concerning the large industrial customer's negotiated rates would be to deal with the aftermath of the reduced revenues in the Company's next annual rate filing. As the OTS has pointed out, if ARMCO and all of PAWLUG's members would be eligible to negotiate pursuant to Rider DIS, the resulting revenue shortfall could be upwards of \$3 million²⁵ annually. OTS M.B. at 43-44. With such potentially high revenue stakes, some degree of regulatory review and public participation should be provided for, where competitive alternatives to water utility service in fact exist.

²⁴ PAWLUG and ARMCO apparently believe that the potential for revenue reduction constitutes a sufficient incentive to PAWC to keep discounts to a minimum, justifying no regulatory review. The OCA responds to this point, *infra*, Section VI.E.

²⁵ It should be noted that this figure is based upon the assumption that PAWLUG's liberalized eligibility criteria would be adopted. OTS M.B. at 43-44.

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v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No.
R-00943231

DOCKETED
APR 18 1995

MAIN BRIEF
OF THE
OFFICE OF TRIAL STAFF

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Wayne T. Scott
Stephen Gorka
Prosecutors
Office of Trial Staff

Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated: April 18, 1995

ORIGINAL

PAWC witness Robowski, Rider DIS and Rider DRS were proposed for the purposes of retaining those high load factor customers that may have an available competitive alternative water supply source, intend to pursue this alternative source and, possibly, leave PAWC's system. Rate EGS, on the other hand, was proposed so that PAWC had the flexibility to negotiate with cogenerators and other electric generating customers. See PAWC Stmt. 6.

While OTS understands the Company's position in regard to Rider DIS and DRS and it is somewhat sympathetic to the Company's concern, it is OTS' position that these riders should be modified so as to provide more protection to PAWC's other customers. There are a number of basic concerns which OTS has with Riders DIS and DRS.

The first matter which should be addressed with regard to Riders DIS and DRS is the provision in the tariff filing which states that PAWC has the discretion to require documentation to establish the existence of a competitive alternative. OTS contends that this language is clearly inadequate.

It must be understood that each and every dollar that a customer saves by receiving service under Riders DIS and DRS has to be replaced from some other source. Thus it should be imperative that, before any customer receives service under these riders that customer should be required to conclusively establish the existence of a competitive alternative. Therefore,

resultant revenues are calculated and included in a subsequent rate proceeding. At that time, the results of these tariffs will be examined by the parties in order to assess the impact on all customers.

OTS contends that, while PAWLUG witness Romanchek mentioned the threat that some customers could leave the system, no evidence has been provided in this proceeding by PAWLUG that any customer will, in fact, leave the system. See PAWLUG Stmt. No. 1, Page 21. One thing is certain, the more large customers that are permitted to utilize Rider DIS, the larger the revenue shortfall which must be borne by other customers. Therefore, these riders should be limited both in their scope and their use and should only be utilized when it is demonstrated that it is absolutely certain that a customer will leave the system if a rider is not applied.

In reviewing the provisions of Rider DIS, OTS has attempted to quantify the amount of revenue shortfall that could result should PAWLUG's recommendation be adopted. Assuming that all 14 customers were able to take advantage of Rider DIS at PAWLUG's proposed minimum volumes of 100,000 gallons per year, the effect could be as much as \$2.9 million. This calculation is illustrated below:

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UPDATED : FEBRUARY 1999 Victor Murphy

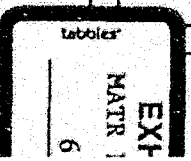
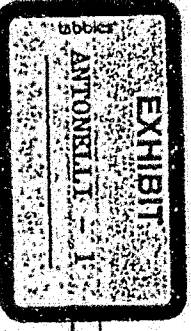
WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

WATER DISTRIBUTION MAP
NORTH FAYETTE TWP., ALLEGHENY CO., PA

February 2003 SCALE : 1"=1400' SHEET NO. 1 of 1

PLOT SCALE : PLOT DATE : 04/01/03

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Pennsylvania-American Water Company

300 West HERSHEY PARK DRIVE • P.O. Box 888 • Hershey, PA 17033-0888
 (717) 533-5000 • FAX: (717) 531-3252

March 20, 2003

Philip Morris, Chairman
 Western Allegheny County Municipal Authority
 403 Virginia Drive
 Oakdale, PA 15071-9105

RE: Water Facilities to be installed by Pennsylvania-American Water Company, pursuant to Section 4.4 of the Water Sales Agreement between Western Allegheny County Municipal Authority and Pennsylvania-American Water Company.

Dear Phil:

Attached is a preliminary description of the facilities Pennsylvania-American Water Company ("PAWC") will install, own, operate, maintain, repair and, if necessary, relocate pursuant to Section 4.4 of the Water Sales Agreement. Upon completion of the installation of the facilities, PAWC will provide to Western Allegheny County Municipal Authority a final facilities description and the actual cost of said facilities.

Very truly yours,

Bernie Grundusky
 Manager Business Development

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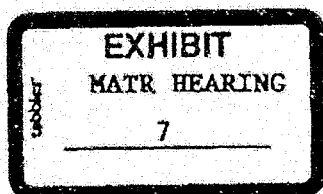
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Enclosure

Cc: William E. Kelvington, Vice President, PAWC
 Susan Simms-Marsh, Corporate Counsel, PAWC
 Ronald J. Brown, Solicitor, Western Allegheny County Municipal Authority

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 An E.E.O. Employer M/F/H/V



DEPOSITION
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DESCRIPTION OF FACILITIES

1. - PAWC will design, permit and install in Collier Township along Pinkerton Road from Notietown Road approximately 2,250 LF of 12" ductile iron cement lined (DICL) waterline to the terminus of the Western Allegheny County Municipal Authority ("WACMA") 12" DICL waterline located at or near the municipal boundary line between Collier and North Fayette Township.
2. - PAWC will design, permit and install along Pinkerton Road at or as close as possible to the municipal boundary line between Collier and North Fayette Township a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system.
3. - PAWC will design, permit and install approximately 2,470 LF of 12" DICL waterline along Pinkerton Road in North Fayette Township from Gamble Road to Old McKee Road. The 12" DICL waterline will be installed by PAWC and will run parallel with the existing WACMA 6" waterline along this section of Pinkerton Road. The WACMA customers connected to existing WACMA 6" waterline along this section of Pinkerton Road shall remain customers of WACMA at all times during this Agreement. Any new services to be installed along this section of Pinkerton Road shall be installed by WACMA on the existing WACMA 6" waterline and shall be customers of WACMA.
4. - PAWC will design, permit, and install a booster station located along Pinkerton Road at a site on Pinkerton Road. PAWC will install the necessary suction and discharge piping, fittings, and valves to connect to the existing WACMA distribution system along Pinkerton Road in Allegheny County.
5. - PAWC will design, permit and install approximately 450 LF of 8" waterline beginning at the terminus of the existing PAWC 8" DICL waterline located at the intersection of McVey Avenue and Marshall Road in South Fayette Township to a connection with the WACMA distribution system located at the intersection of School (a.k.a. Willow), Short and Mill Streets.
6. - PAWC will design, permit and install a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system. This vault will be located between the Panhandle Trail and School Street as close as possible to the municipal boundary line between South Fayette and North Fayette Township.
7. - PAWC will design, permit and construct approximately 14,000 feet of no less than 12" waterline beginning in Beech Hollow Road in Robinson Township, Washington County along Beech Hollow Road, Route 980, Beagle Club Road and the Montour Rail to Trail. At or near the Washington / Allegheny County Boundary Line a waterline will be installed along a right of way(s) to the existing WACMA waterline along Seabright Road.
8. - PAWC will design, permit, and install a booster station and the necessary pipe, fittings, and valves to connect to the facilities outlined in section 7. The booster station is expected to be located at a site proximate to the boundary line between Robinson Township, Washington County and North Fayette Township, Allegheny County.

9. - PAWC will design, permit and install a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system. This meter vault will be located proximate the municipal boundary line between Robinson Township, Washington County and North Fayette Township, Allegheny County.

10. - PAWC will design, permit and install, the necessary transmitters and related equipment and appurtenances at the WACMA distribution storage facilities on the Santiago and McKee storage tanks to control the operation of the PAWC booster stations as referenced in section 4 and 8 above.

PENNSYLVANIA-AMERICAN WATER COMPANY
 WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY
 Calculation of Depreciation Expense on New Facilities

New Facilities	Total Est Cost	Depreciation Rate	Depreciation Expense	Note
Detailed Design Bidding & Contract Award	\$30,000	2.69%	\$506	1
Land, Land Rights & Acquisitions	12,000	0.00%	0	
<u>Eastern Connection</u>				
4,750' - 12" DICI - Pinkerton Run Road	279,095	1.27%	3,545	
Install Booster Station - Pinkerton Road	418,880	3.96%	16,588	
Meter & Meter Vault - Pinkerton Road	41,459	7.14%	2,960	
<u>Southern Connection</u>				
240' - 8" DICI, McVey Avenue	38,823	1.08%	216	
225' - 12" HDPE, McVey Avenue		1.39%	261	
Meter & Meter Vault - McVey Avenue	34,946	7.14%	2,495	
<u>Western Connection</u>				
5,475' - 16 DICI, Rt 980 from Booster Station to Route 22	821,019	1.27%	4,305	
2,635' - 16 DICI, Along Beech Hollow Road		1.27%	2,072	
2,000' - 20" HDPE, Along Montour Trail		1.39%	1,721	
3,150' - 12" DICI, Rt 980, Old Stubenville Pike		1.27%	2,477	
Install Booster Station - Route 980	342,720	3.96%	13,572	
Install Treatment Equipment - Rt. 980 Booster	40,320	6.08%	2,451	
Meter & Meter Vault - Route 980	34,953	7.14%	2,496	
AFUOC	12,000	2.69%	323	1
Total	\$2,106,215	2.69%	\$56,288	

Note 1 - Composite depreciation rate based on average rate of depreciable assets included in project.

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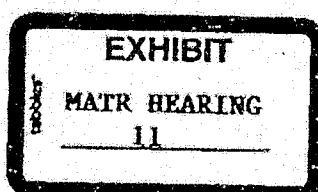
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3/15/04 rev req on additional facilities - no from 2003 rate case

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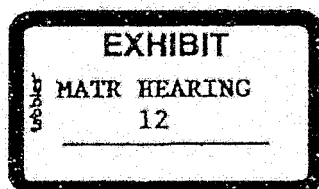
Pennsylvania American Water Company

Financial Statements

December 31, 2001

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is to be the
water and
wastewater
resource
manager of
choice for all
Pennsylvanians.

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15	Report of Independent Accountants
16	Historical Review At and For the Years Ended December 31

PA-307

Balance Sheet

(Dollars in thousands)

	December 31	
	2001	2000
ASSETS		
Property, plant and equipment		
Utility plant - at original cost less accumulated depreciation	\$1,486,843	\$1,373,660
Utility plant acquisition adjustments, net	6,148	10,673
Non-utility property, net of accumulated depreciation	1,619	1,645
Notes receivable	2,865	
	<u>1,497,475</u>	<u>1,385,978</u>
Current assets		
Cash and cash equivalents	300	19
Customer accounts receivable	33,797	29,080
Allowance for uncollectible accounts	(736)	(479)
Unbilled revenue	19,927	19,371
Materials and supplies	3,210	2,824
Deferred vacation pay	3,074	2,946
Other	6,429	6,780
	<u>66,001</u>	<u>60,541</u>
Regulatory and other long-term assets		
Regulatory asset - income taxes recoverable through rates	95,188	93,723
Deferred pension expense	10,669	7,902
Debt and preferred stock expenses	8,264	8,428
Deferred treatment plant costs and carrying charges	3,686	4,748
Deferred business services project costs	7,908	890
Deferred security costs	2,088	
Other	6,720	5,582
	<u>134,523</u>	<u>121,273</u>
	<u>\$1,697,999</u>	<u>\$1,567,792</u>
CAPITAL AND LIABILITIES		
Capital		
Common stock	\$21,507	\$21,507
Paid-in capital	356,363	306,363
Retained earnings	178,619	166,002
Common stockholders' equity	<u>556,489</u>	<u>493,872</u>
Cumulative preferred stocks		
Without mandatory redemption requirements	2,739	3,589
With mandatory redemption requirements	12,451	12,451
Long-term debt	<u>679,575</u>	<u>602,691</u>
	<u>1,251,254</u>	<u>1,112,603</u>
Current liabilities		
Short-term debt	15,208	75,253
Current portion of long-term debt	52,415	25,915
Accounts payable	14,950	13,495
Taxes accrued, including federal income	6,137	5,547
Interest accrued	12,491	11,839
Dividends declared on preferred stocks	304	321
Accrued vacation pay	3,074	2,946
Other	9,418	7,850
	<u>113,997</u>	<u>143,166</u>
Regulatory and other long-term liabilities		
Customer advances for construction	48,829	47,908
Deferred income taxes	201,477	186,510
Deferred investment tax credits	8,643	8,876
Accrued pension cost	10,669	7,902
Accrued postretirement benefits cost	2,695	2,695
Other	2,289	2,036
	<u>274,602</u>	<u>255,927</u>
Contributions in aid of construction	<u>58,146</u>	<u>56,096</u>
	<u>\$1,697,999</u>	<u>\$1,567,792</u>

The accompanying notes are an integral part of these financial statements

Statements of Income and Retained Earnings

(In thousands, except per share amounts)

INCOME	Year Ended December 31		
	2001	2000	1999
Operating revenues	\$317,341	\$305,810	\$291,029
Operating expenses			
Operation and maintenance	121,866	113,869	111,207
Depreciation and amortization	44,673	41,446	40,949
General taxes	11,075	11,954	14,042
	177,614	167,269	166,198
Operating income	139,727	138,541	124,831
Other income (deductions)			
Interest	88	23	59
Allowance for other funds used during construction	95		125
Gain on disposition of property	262	46	
Miscellaneous	728	452	580
General taxes	(128)	(216)	(180)
Income before interest charges	140,772	138,846	125,415
Interest charges			
Interest on long-term debt	48,847	47,197	46,890
Amortization of debt expense	572	552	533
Other interest	3,730	4,391	2,363
Allowance for borrowed funds used during construction	(642)	(1,004)	(1,826)
	52,507	51,136	47,960
Income before income taxes	88,265	87,710	77,455
Provision for income taxes	35,435	35,211	31,087
Net income	52,830	52,499	46,368
Dividends on preferred stocks	1,266	1,283	1,290
Net income to common stock	\$51,564	\$51,216	\$45,078
Average shares of common stock outstanding	3,910	3,910	3,910
Earnings per common share on average shares outstanding	\$13.19	\$13.10	\$11.52
RETAINED EARNINGS			
Balance at beginning of year	\$166,002	\$151,778	\$140,173
Add net income	52,830	52,499	46,368
	218,832	204,277	186,541
Deduct dividends			
Preferred stock	1,266	1,283	1,290
Common stock (\$9.96 per share in 2001; \$9.46 per share in 2000; and \$8.56 per share in 1999)	38,947	36,992	33,473
	40,213	38,275	34,763
Balance at end of year	\$178,619	\$166,002	\$151,778

The accompanying notes are an integral part of these financial statements.

PA-309

Statement of Cash Flows

(Dollars in thousands)

	Year Ended December 31		
	2001	2000	1999
Cash flows from operating activities			
Net income	\$52,830	\$52,499	\$46,368
Adjustments			
Depreciation and amortization	44,673	41,446	40,949
Other amortization	1,144	2,823	5,123
Provision for deferred income taxes	11,651	11,312	11,957
Amortization of deferred investment tax credits	(234)	(234)	(234)
Provision for losses on accounts receivable	3,342	2,783	3,264
Gain on disposition	(262)	(46)	
Deferred business consolidation costs	(7,147)	(881)	
Deferred security costs	(2,088)		
Other, net	2,205	(1,204)	(3,488)
Changes in current assets and liabilities			
Accounts receivable	(7,802)	(6,137)	(3,066)
Unbilled revenue	(556)	(1,920)	(332)
Other current assets	(163)	(4,955)	50
Accounts payable	1,455	(768)	(1,306)
Taxes accrued	590	4,383	(3,483)
Interest accrued	652	(270)	99
Other current liabilities	1,679	273	656
Net cash provided by operating activities	101,969	99,104	96,557
Cash flows from investing activities			
Construction expenditures	(97,362)	(93,758)	(108,415)
Water system acquisitions	(52,937)	(1,121)	(2,856)
Allowance for other funds used during construction	95		125
Proceeds from sale of property	279	48	
Cost of removal, net of salvage	(5,837)	(4,511)	(4,381)
Net cash used in investing activities	(155,762)	(99,342)	(115,527)
Cash flows from financing activities			
Capital contribution by stockholder	50,000	20,000	
Proceeds from sale of long-term debt, net of issuing costs	129,197	8,779	25,614
Advances and contributions for construction, net of refunds	2,199	5,254	3,282
Net borrowing under line-of-credit agreements	(60,045)	6,305	32,624
Repayment of long-term debt	(26,214)	(1,840)	(4,650)
Redemption of preferred stock	(850)	(8)	(3,109)
Preferred stock sinking funds		(8)	(8)
Dividends	(40,213)	(38,275)	(34,763)
Net cash provided by financing activities	54,074	207	18,990
Net change in cash and cash equivalents	281	(31)	20
Cash and cash equivalents at beginning of year	19	50	30
Cash and cash equivalents at end of year	\$300	\$19	\$50
Cash paid during the year for:			
Interest, net of capitalized amount	\$51,925	\$51,858	\$49,154
Income taxes	\$23,348	\$24,376	\$19,536

The accompanying notes are an integral part of these financial statements

PA-310

Statement of Stockholders' Equity

(Dollars in thousands, except per share amounts)

	COMMON STOCK SHARES	PAR VALUE	PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCKHOLDERS EQUITY
Balance at December 31, 1998	3,910,343	\$21,507	\$286,300	\$140,173	\$447,980
Net income				46,368	46,368
Reacquire preferred stock below par value			63	-	63
Dividends					
Preferred stocks				(1,290)	(1,290)
Common stock, \$8.56 per share				(33,473)	(33,473)
Balance at December 31, 1999	3,910,343	21,507	286,363	151,778	459,648
Net income				52,499	52,499
Capital contribution by stockholder			20,000		20,000
Dividends					
Preferred stocks				(1,283)	(1,283)
Common stock, \$9.46 per share				(36,992)	(36,992)
Balance at December 31, 2000	3,910,343	21,507	306,363	166,002	493,872
Net income				52,830	52,830
Capital contribution by stockholder			50,000		50,000
Dividends					
Preferred stocks				(1,266)	(1,266)
Common stock, \$9.96 per share				(38,947)	(38,947)
Balance at December 31, 2001	3,910,343	\$21,507	\$356,363	\$178,619	\$556,489

The accompanying notes are an integral part of these financial statements.

Statement of Capitalization

(Dollars in thousands, except per share amounts)

		December 31	
		Call Price/Share	
		2001	2000
Common stockholders' equity			
Common stock - \$5.50 par value,	Authorized 10,000,000 shares Outstanding 3,910,343 shares	\$21,507	\$21,507
Paid-in capital		356,363	306,363
Retained earnings		178,619	166,002
		<u>556,489</u>	<u>493,872</u>
Preferred stocks - \$100 par value			
Authorized 367,200 shares			
Without mandatory redemption requirements			
Cumulative preferred stocks	4 1/2% series, 17,247 shares outstanding	\$103.50 1,725	1,725
	7.73% series, 10,137 shares outstanding	1,014	1,864
		<u>2,739</u>	<u>3,589</u>
With mandatory redemption requirements			
Cumulative preferred stocks	8.49% series, 120,000 shares outstanding	12,000	12,000
	9.35% series, 2,735 shares outstanding	273	273
	9.75% series, 1,780 shares outstanding	178	178
		<u>12,451</u>	<u>12,451</u>
Long-term debt			
Term notes	4.92% due 2006	73,000	
	5 1/4% due 2007	60	70
	6.87% due 2011	47,000	
General mortgage bonds	5.05% series due 2029	24,030	24,030
	6.05% series due 2019	19,000	19,000
	6.78% series due 2033	38,000	38,000
	7.00% series due 2017	30,000	30,000
	7.08% series due 2017	33,000	33,000
	7.125% series due 2022	30,000	30,000
	7.15% series due 2002	50,000	50,000
	7.20% series due 2017	50,000	50,000
	7.80% series due 2026	150,000	150,000
	7.87% series due 2005	14,000	14,000
	8.15% series due 2025	10,000	10,000
	8.51% series due 2006	5,500	6,600
	8.58% series due 2007	37,900	37,900
	8.59% series due 2001		12,000
	8.82% series due 2031	10,000	10,000
	9.34% series due 2003	15,600	15,600
	9.35% series due 2008	29,400	29,400
	9.47% series due 2001		12,000
	9.69% series due 2021	20,000	20,000
	9.71% series due 2019	15,500	15,500
Water facility loans	1.00% due 2011	157	173
	1.00% due 2018	6,349	5,682
	1.00% due 2021	2,952	1,566
	1.39% due 2018	1,231	1,299
	1.41% due 2019	1,644	1,063
	1.45% due 2019	2,707	2,963
	1.62% due 2022	3,157	2,643
	1.62% due 2022	2,980	
	1.62% due 2022	3,274	
	3.25% due 2009	353	393
	3.45% due 2012	1,762	1,892
	4.19% due 2009	1,972	2,201
	4.19% due 2009	1,462	1,631
Current portion of long-term debt		(52,415)	(25,915)
		<u>679,575</u>	<u>602,691</u>
Total capitalization		<u>\$1,251,254</u>	<u>\$1,112,603</u>

The accompanying notes are an integral part of these financial statements

P E N N S Y L V A N I A - A M E R I C A N W A T E R C O M P A N Y

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 1: Organization and Operation

Pennsylvania-American Water Company (the Company) provided water service to 563,081 customers and wastewater service to 9,283 customers at December 31, 2001. These services are provided in communities located in 33 of the 67 counties in Pennsylvania. As a public utility operating in Pennsylvania, the Company functions under rules and regulations prescribed by the Pennsylvania Public Utility Commission (the Commission). The Company is a wholly-owned subsidiary of American Water Works Company, Inc. (American Water Works).

On March 23, 2001, the Company acquired the water and wastewater assets of the City of Coatesville Authority for approximately \$48,500. These facilities provide service to 8,432 water customers and 4,463 wastewater customers in communities in Chester and Lancaster Counties.

On April 27, 2001, the Company acquired the assets of Butler Township Authority for approximately \$4,000; these facilities provide service to 2,148 water customers in Butler County.

On February 13, 2001, the Company acquired the assets of T.O.W. Associated Water System for approximately \$370; these facilities provide service to three customers in Butler County.

On April 26, 2001, the Company acquired the assets of Fox Knoll Water Company for approximately \$72; these facilities provide service to 17 customers in Chester County.

All the acquisitions were accounted for using the purchase method of accounting. The acquisitions were funded through the issuance of Term Notes and a contribution by a stockholder (see Note 7).

NOTE 2: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Regulation

The Company has incurred various costs and received various credits, which have been reflected as

regulatory assets and liabilities on its balance sheet. Accounting for such costs and credits as regulatory assets and liabilities is in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71). This statement sets forth the application of generally accepted accounting principles for those companies whose prices are established by or subject to approval by an independent third-party regulator. Under SFAS No. 71, regulated companies defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate setting process in a period different from the period in which they would have been reflected in income by an unregulated company. These deferred regulatory assets and liabilities are then reflected in the income statement in the period in which the amounts are reflected in the rates charged for service.

Property, Plant and Equipment

Additions to utility plant and replacements of retirement units of property are capitalized. Costs include material, direct labor and such indirect items as engineering and supervision, payroll taxes and benefits, transportation and an allowance for funds used during construction. Repairs, maintenance and minor replacements of property are charged to current operations. The cost of property units retired in the ordinary course of business plus removal cost (less salvage) is charged to accumulated depreciation. The cost of property, plant and equipment is depreciated using the straight-line average remaining life method. The composite depreciation rate amounted to 2.62% in 2001, 2.64% in 2000 and 2.78% in 1999.

Computer software is either purchased or developed in-house. The purchase price or development costs are capitalized as a unit of property.

In accordance with the Commission's decisions, depreciation on contributed facilities is charged to contributions in aid of construction. Such depreciation amounted to \$1,382 in 2001, \$1,317 in 2000 and \$1,250 in 1999.

Utility plant acquisition adjustments (the difference between the cost of purchased utility plant and its original cost when first devoted to public service, less accumulated depreciation), when applicable, are being amortized to operating expenses over 10-year or 40-year periods.

Cash and Cash Equivalents

When available, substantially all of the Company's cash is invested by the Company's financing affiliate

7

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 2: Significant Accounting Policies (continued)

American Water Capital Corporation. The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2001 or 2000.

Materials and Supplies

Materials and supplies are stated at average cost.

Regulatory and Long-Term Assets

The Company has recorded a regulatory asset for the additional revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse. These temporary differences are primarily related to the difference between book and tax depreciation on property placed in service before the adoption by the Commission, for rate making purposes, of full normalization for federal tax effects.

The regulatory asset for income taxes recoverable through rates is net of the reduction expected in future revenues as deferred taxes previously provided, attributable to the difference between the state and federal income tax rates under prior law and the current statutory rates, reverse over the average remaining service lives of the related assets.

Pension expense in excess of the amount contributed to the pension plan is deferred. These costs will be recovered in future service rates as increased contributions are made to the pension plan.

Debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt expense, are deferred and amortized to the extent they will be recovered through future service rates. Expenses of preferred stock issues without sinking fund provisions are amortized over 30 years from date of issue; expenses of issues with sinking fund provisions are charged to operations as shares are retired.

Deferred treatment plant costs and carrying charges represent the operation expenses and depreciation on water filtration plants from the time the plants were placed in service until the costs were included in the rates charged for water service. These costs have been recognized in the rates charged for water service and are being amortized over 10 years as authorized by the Commission.

Deferred business services project costs consist of reengineering and start-up activities for consolidated customer and shared administrative service centers

that are being established by American Water Works. These costs are being deferred and, as allowed in a January 2002 Commission order, will be recovered in the rates charged for utility service in the future.

The Company has deferred the cost of increased security measures that were implemented to secure facilities after the terrorist attacks on September 11, 2001. These costs are being deferred as it is expected that they will be recovered in the rates charged for utility service in the future.

Other Current Liabilities

Other current liabilities include payables of \$4,847 and \$255 at December 31, 2001 and 2000, respectively, which represent checks issued, but not yet presented for payment.

Advances and Contributions in Aid of Construction

The Company may receive advances and contributions to fund construction necessary to extend service to new areas. As determined by the Commission, advances for construction are refundable for limited periods of time as new customers begin to receive service. Amounts, which are no longer refundable, are reclassified to contributions in aid of construction.

Utility plant funded by advances and contributions is excluded from rate base and is not depreciated for ratemaking purposes. Generally, advances and contributions received during the period January 1, 1987, through June 12, 1996, have been included in taxable income and the related property is depreciable for tax purposes. As a result of tax law changes, advances and contributions received subsequent to June 12, 1996, are excluded from taxable income.

Recognition of Revenues

Water and wastewater service revenues for financial reporting purposes include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the date of the latest meter reading to the end of the accounting period.

Income Taxes

The Company, its parent and affiliates participate in a consolidated federal income tax return. Federal income tax expense for financial reporting purposes is provided on a separate return basis.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. Deferred income taxes have been provided on the difference between the tax bases of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 2: Significant Accounting Policies (continued)

the enacted tax rates anticipated to be in effect when such temporary differences are expected to reverse. Regulatory assets and liabilities are recognized for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred and are being amortized to income over the average estimated service lives of the related assets.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash adjustment to income with a corresponding charge to utility plant, which represents the cost of borrowed funds and a return on equity funds devoted to plant under construction. AFUDC is recorded to the extent permitted by the Commission.

Environmental Costs

Environmental expenditures that relate to current operations or provide a future benefit are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated. There were no remediation costs accrued at December 31, 2001 or 2000.

New Accounting Standard

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. This statement establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value.

The adoption of this new accounting standard did not have any effect on the Company's financial position or results of operations. The Company's contracts that meet the definition of a derivative are for normal purchases and normal sales, are expected to result in a physical delivery and are of quantities expected to be used or sold over a reasonable period in the normal course of business. The Company has no hedging activities.

In June of 2001, the Financial Accounting Standards

Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 effective January 1, 2002. The Company is currently evaluating the effect that adoption of the provisions of SFAS 142, which are effective January 1, 2002, will have on its results of operations and financial position.

Also, in June of 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143) on the accounting for obligations associated with the retirement of long-lived assets. SFAS 143 requires a liability to be recognized in the financial statements for retirement obligations meeting specific criteria. Measurement of the initial obligation is to approximate fair value with an equivalent amount recorded as an increase in the value of the capitalized asset.

The asset will be depreciable in accordance with normal depreciation policy and the liability will be increased, with a charge to the income statement, until the obligation is settled. SFAS 143 is effective for fiscal years beginning after June 15, 2002. The Company is currently evaluating the effect that adoption of the provisions of SFAS 143 will have on its results of operations and financial position.

In August of 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), which replaces Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens discontinued operations to include more disposal transactions. Under SFAS 144, operating losses of discontinued operations are recognized in the period in which they occur.

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 2: Significant Accounting Policies (continued)

instead of accruing future operating losses before they occur. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the effect that adoption of the provisions of SFAS 144 will have on its results of operations and financial position.

Asset Impairment

Long-lived assets and certain identifiable, intangible assets held and used by the Company are reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future cash flows expected to result from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized. Measurement of an impairment loss would be based on the fair value of the assets. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

Reclassifications

Certain reclassifications have been made to conform previously reported data to the current presentation.

NOTE 3: Utility Plant

The components of utility plant at December 31 are as follows:

	2001	2000
Water plant		
Sources of supply	\$59,094	\$54,768
Treatment & pumping facilities	412,636	390,292
Transmission & distribution facilities	863,539	778,629
Services, meters and fire hydrants	311,703	288,655
General structures and equipment	88,196	80,207
Wastewater plant	31,637	15,626
Construction work in progress	18,571	18,456
	1,785,376	1,626,633
Less - accumulated depreciation	(298,533)	(252,973)
	\$1,486,843	\$1,373,660

NOTE 4: Preferred Stocks

The preferred stock agreements on the 9.35% series and the 9.75% series provide for annual sinking fund

payments of \$12 and \$10, respectively, at the option of the holder. The preferred stock agreement on the 8.49% series provides for sinking fund payments to begin in 2012.

Preferred stock agreements contain provisions for redemption at various prices on 30 days' notice at the Company's discretion except for the 9.35% and 9.75% series, which are not callable.

In the event of voluntary liquidation, the 4-1/2% series is redeemable at \$100 per share, provided a majority of the holders consent, or at \$103.50 if they do not; all other issues are redeemable at \$100 per share provided the voluntary liquidation is in connection with governmental acquisition of substantially all of the Company's property or common stock. In the event of involuntary liquidation or governmental acquisition, all classes of preferred stocks are redeemable at \$100 per share. All call prices are on 30 days' notice plus accrued dividends.

On November 1, 2001, the Company purchased 8,500 shares of the 7.73% series cumulative preferred stock at its par value of \$100 per share.

On February 10, 2000, the Company purchased the 160 outstanding shares of the 4-3/4% series cumulative preferred stock at \$98 per share.

NOTE 5: Long-Term Debt

Sinking fund deposits are required under provisions of the 5-1/4% term note, the 8.51% series general mortgage bond and the 9.35% series general mortgage bond. These deposits will amount to \$1,110 in 2002 and \$6,010 in 2003 through 2005 and \$4,910 in 2006.

The Company also makes monthly payments of principal and interest on the water facility loans. These payments will amount to \$1,653 in each of the years 2002 through 2006.

Maturities of long-term debt, exclusive of sinking funds, will amount to \$50,000 in 2002, \$15,600 in 2003, none in 2004, \$14,000 in 2005 and \$74,100 in 2006.

The general mortgage bond indentures contain clauses restricting the declaration of common stock dividends and other distributions on capital stock if common stockholders' equity falls below a specified amount. Under the most restrictive provisions of the indenture, as supplemented, \$136,619 was available for distribution at December 31, 2001.

The general mortgage bonds are issuable in series. No bonds senior to the general mortgage bonds may be issued so long as the general mortgage bonds are outstanding. The amount of bonds authorized is unlimited as long as long-term debt does not exceed

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 5: Long-Term Debt (continued)

65% of capitalization. Utility plant is pledged as collateral for the general mortgage bonds.

NOTE 6: Compensating Balances and Bank Debt

During 2001, the Company maintained a line of credit through American Water Capital Corp. (AWCC), an affiliate (see Note 13: Related Party Transactions). AWCC is a special purpose corporation that serves as the primary funding vehicle for the Company. AWCC has a 364 day, \$500,000 revolving credit agreement with a group of 10 domestic and international banks. No compensating balances are required under the agreement. AWCC may also issue commercial paper, and the revolving credit agreement also supports these borrowings.

At December 31, 2001 and 2000, there were \$15,208 and \$75,253 of short-term borrowings outstanding, respectively. The weighted average annual interest rate on these borrowings was 4.69% and 6.87%, respectively. The unused line of credit at December 31, 2001, was \$106,800.

NOTE 7: Financings

In March, 2001, the Company issued a \$47,000 Term Note which carries an interest rate of 6.87% due March, 2011. In November, 2001, the Company issued a \$73,000 Term Note at an interest rate of 4.92% due November, 2006. In conjunction with the November financing, American contributed \$50,000 to the Company's capital. The proceeds from the financing were used to repay short-term borrowings used to finance construction.

The term notes were issued to American Water Capital Corporation, an affiliate.

NOTE 8: General Taxes

	Year Ended December 31		
	2001	2000	1999
Property	\$2,602	\$3,506	\$4,819
Capital Stock	3,445	3,762	4,131
Payroll	3,218	2,989	3,109
Public Utility Commission	1,938	1,913	2,163
	<u>\$11,203</u>	<u>\$12,170</u>	<u>\$14,222</u>

NOTE 9: Income Taxes

Components of income tax expense for the years presented in the statement of income are as follows:

	Year Ended December 31		
	2001	2000	1999
State income taxes			
Current	\$5,807	\$5,812	\$4,685
Deferred			
Current	(23)	(9)	(27)
Non-current	1,280	830	1,072
	<u>\$7,064</u>	<u>\$6,633</u>	<u>\$5,730</u>
Federal income taxes			
Current	\$18,307	\$18,359	\$14,792
Deferred			
Current	(73)	(29)	(86)
Non-current	10,371	10,482	10,885
Amortization of deferred investment tax credits	(234)	(234)	(234)
	<u>\$28,371</u>	<u>\$28,578</u>	<u>\$25,357</u>

A reconciliation of income tax expense at the statutory federal income tax rate to the actual income tax expense is as follows:

	Year Ended December 31		
	2001	2000	1999
Income tax at statutory rate	\$30,893	\$30,699	\$27,109
Increases (decreases) resulting from:			
State taxes, net of federal income taxes	4,592	4,311	3,724
Flow through differences	467	452	469
Amortization of deferred investment tax credits	(234)	(234)	(234)
Other	(283)	(17)	19
Actual income tax expense	<u>\$35,435</u>	<u>\$35,211</u>	<u>\$31,087</u>

The following table provides the components of the net deferred tax liabilities for the years presented in the Balance Sheet as follows:

	December 31	
	2001	2000
Deferred tax assets		
Advances and contributions	\$41,855	\$42,151
Deferred investment credits	3,586	3,683
Other	1,553	1,405
	<u>46,994</u>	<u>47,239</u>

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Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 9: Income Taxes (continued)

	December 31	
	2001	2000
Deferred tax liabilities		
Utility plant, principally due to depreciation differences	201,030	188,335
Income taxes recoverable through rates	41,195	40,667
Other	6,246	4,747
	<u>248,471</u>	<u>233,749</u>
Net deferred tax liabilities	<u>\$201,477</u>	<u>\$186,510</u>

No valuation allowances were required on deferred tax assets at December 31, 2001 or 2000.

NOTE 10: Rate Matters

As necessary, the Company applies to the Commission for changes in the prices charged for service. The price increase request is based on the level of operating expenses and capital costs that are expected to be in effect when the prices become effective. The revenues requested are based on actual sales during the historic test year selected by the Company as the base period, but are adjusted for known changes such as an increase or decrease in the number of customers or a documented change in customer usage.

12 The Company has 120 days from the end of the selected historic test year to file the completed application with the Commission. Once filed, the Commission has nine months to render a final decision.

The Company received approval from the Commission to increase its prices for service as follows:

Effective Date	ANNUAL EFFECT ON REVENUES		ESTIMATED REVENUES REALIZED IN YEAR OF ORDER
	REQUESTED	GRANTED	
December 22, 2000	\$994	\$780	\$10
December 18, 1999	\$40,002	\$24,600	\$500

As authorized by the Commission, the Company has instituted a Distribution System Improvement Charge based on specific capital improvements made to the distribution system. The charge is adjusted

each quarter based on the qualified investment in the preceding quarter. The Company recorded revenues of \$5,250 in 2001, \$1,063 in 2000 and \$6,199 in 1999 associated with this charge.

NOTE 11: Benefit Plans

Employees' Stock Ownership Plan

The Company participates in an Employee Stock Ownership Plan, which provides for beneficial ownership of American Water Works common stock by all associates of American Water Works and its subsidiaries who are not included in a bargaining unit. Each participating associate can elect to contribute an amount that does not exceed 2% of their wages. In addition to the associate's participation, the Company makes a contribution equivalent to 1/2% of each participant's qualified compensation, and matches 100% of the contribution by each participant. The Company expensed contributions of \$620 for 2001, \$651 for 2000 and \$490 for 1999 that it made to the plan. The trustee of the plan may purchase shares of American Water Works common stock on the open market or from a qualified stockholder.

Savings Plan for Employees

The Company participates in a 401(k) Savings Plan for Employees sponsored by American Water Works. Associate contributions are invested at the direction of the associate in one or more funds including a fund consisting entirely of American Water Works common stock. The Company matches 50% of the first 5% of each associate's contribution to the plan. The Company expensed matching contributions to the plan totaling \$786 for 2001, \$730 for 2000 and \$709 for 1999. All the Company's matching contributions are invested in the fund of American Water Works common stock.

NOTE 12: Postretirement and Postemployment Benefits

Pension Benefits

The Company participates in a noncontributory defined benefit pension plan covering substantially all associates of American Water Works and its subsidiaries. Benefits under the plan are based on the associate's years of service and average annual compensation for those 60 consecutive months of employment, which yield the highest average. Pension cost of the Company is based on an allocation from American Water Works of the total cost related to the plan.

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 12: Postretirement and Postemployment Benefits (continued)

Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company's policy is to contribute at least the minimum amount required under the Employment Retirement Income Security Act of 1974. Due to the funded status of the plan, there were no contributions made in 2001, 2000 or 1999.

In addition, during 2000, the Company recognized a gain of \$3,420 relating to the transfer of annuities from the plan to a separate third-party life insurance company. This settlement gain has been recognized as a decrease in deferred pension costs and accrued pension costs.

Postretirement Benefits Other Than Pensions

The Company participates in an American Water Works plan that provides certain life insurance benefits for retired associates and certain healthcare benefits for retired associates and their dependents. Substantially all associates may become eligible for those benefits if they reach retirement age while still working for the Company. Retirees and their dependents under age 65 can elect either a comprehensive medical plan under which covered expenses are paid at 80% after an annual deductible has been satisfied or a managed care plan that requires co-payments. Associates who elect to retire prior to attaining age 65 are required to make contributions toward their medical coverage until attaining age 65. Retirees and their dependents age 65 and over are covered by a Medicare supplement plan. Costs to the Company for postretirement benefits other than pensions are based on an allocation from American Water Works of the total cost related to the plan. Information regarding accumulated and projected benefit obligations is not prepared at the subsidiary level. The Company made contributions to trust funds established for these postretirement benefits of \$4,701 in 2001, \$4,321 in 2000 and \$5,076 in 1999. The Company's policy is to fund postretirement benefit costs accrued.

NOTE 13: Related Party Transactions

American Water Works Service Company, Inc. (the Service Company), an affiliate, provides certain management services to the Company (administration, information systems, engineering, etc.) and other operating water companies in the American Water Works

System on an at-cost, not-for-profit basis in accordance with a management and service agreement. Purchases of such services by the Company were accounted for as follows:

	Year Ended December 31		
	2001	2000	1999
Included in operation and maintenance expense as a charge against income	\$11,267	\$5,757	\$4,904
Capitalized in various balance sheet accounts	1,301	1,247	1,219
	<u>\$12,568</u>	<u>\$7,004</u>	<u>\$6,123</u>

The Service Company leases space in an office building owned by the Company. Rent paid under the terms of the lease was \$233 in 2001, \$139 in 2000 and \$102 in 1999. Additionally, the Company received \$326 in 2001, \$371 in 2000 and \$237 in 1999 from the Service Company for the rental of furniture and equipment.

The Company has agreements with American Water Services (AWS), an affiliate, for the lease of granular activated carbon at one of its filtration plants, and the purchase at several others. The lease and purchase agreements provide for AWS to regenerate the spent carbon and return it to the plant where it originated. Under the terms of the lease agreement, AWS provides carbon for the four filters at the filtration plant over a period of 54 months. The carbon is scheduled for replacement every nine months, and is warranted to perform to specific standards during that period. Carbon was installed in the filters in 2001. The Company paid \$87 in 2001, \$287 in 2000 and \$148 in 1999. The Company expensed \$112 in 2001, \$192 in 2000 and \$196 in 1999. Under the terms of the agreement to purchase, the Company acquired and installed \$541 worth of carbon in 2001, \$461 in 2000 and \$1,132 in 1999.

The Company has a contract with AWS to manage one of the Company's wastewater facilities. Under the terms of the contract, AWS will provide all ordinary operation and maintenance, testing and reporting services required to operate the wastewater system in compliance with all federal, state, and local legal and regulatory requirements. The Company expensed \$664 in 2001, \$756 in 2000 and in 1999 for the services of AWS.

The Company maintains a line of credit and secures long-term financing through American Water Capital Corporation (AWCC), an affiliate. During

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Notes to Financial Statements

(Dollars in thousands, except per share amounts)

NOTE 13: Related Party Transactions (continued)

2001, the Company secured financing through AWCC in the amount of \$120,000. The Company paid AWCC as follows:

	2001	2000
Interest on long-term financings	\$1,614	
Fees for maintaining line of credit	285	\$246
Interest on short-term borrowings	3,729	2,284
Preliminary costs of long-term financings	349	10
	<u>\$5,977</u>	<u>\$2,540</u>

NOTE 14: Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments

Current assets and current liabilities: The carrying amount reported on the balance sheet for current assets and current liabilities, including bank debt, approximates their fair values.

Preferred stocks with mandatory redemption requirements and long-term debt: The fair values of the Company's preferred stocks with mandatory redemption requirements and long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental financing rates for similar types of securities.

The carrying amounts and fair values of the Company's financial instruments at December 31, are as follows:

	2001	2001	2000	2000
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stocks with mandatory redemption requirements	\$12,451	\$14,233	\$12,451	\$13,078
Long-term debt including current maturities	\$731,990	\$779,813	\$628,606	\$651,868

NOTE 15: Operating Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expenses under operating leases were \$7,569 for 2001, \$7,539 for 2000 and \$5,515 for 1999.

At December 31, 2001, the minimum annual future rental commitments under operating leases that have initial or remaining noncancellable lease terms in excess of one year are \$785 in 2002, \$471 in 2003, \$430 in 2004, \$318 in 2005, \$185 in 2006 and \$562 thereafter.

NOTE 16: Commitments and Contingencies

The Company's construction program for 2002 is estimated to cost approximately \$130,000, exclusive of acquisitions. Commitments have been made in connection with certain projects included in this program.

The Company is routinely involved in legal actions. In the opinion of management, none of these actions will have a material adverse effect, if any, on the financial position, results of operations or cash flows of the Company.

NOTE 17: Subsequent Event

On January 10, 2002, the Commission acted on the Company's request to increase its rates for water service. The Commission authorized the Company to increase its rates effective January 26 to produce additional revenue of \$23,900 on an annual basis. The Company's original request was for \$37,400.

On January 15, 2002, the Company purchased the assets of Citizens Utilities Company of Pennsylvania (Citizens) for a price of approximately \$165,000. The purchase price is subject to adjustment based upon an audit and changes in the values of the net assets from November 30, 2001, to the date of the acquisition. This acquisition is being accounted for by the purchase method of accounting.

In order to finance the acquisition, the Company assumed \$52,900 of tax exempt, variable rate long-term debt associated with the assets, issued a long-term note in the amount of \$61,000 and received a \$50,000 capital contribution from American Water Works. The acquisition expands the Company's presence in eastern Pennsylvania. The acquired operation provides service to approximately 110,000 people in 38 communities.

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Management's Responsibility for Financial Reporting

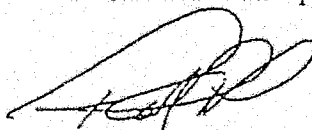
The management of the Company is responsible for the preparation of the financial statements and for their integrity and objectivity. These financial statements conform to accounting principles generally accepted in the United States of America and, where required, include amounts which represent management's best judgment and estimates.

The Company maintains internal control systems to enable it to fulfill its obligations for responsible financial reporting. These systems include the Internal Audit Department of American Water Works Service Company, Inc., an affiliate, which monitors internal controls through periodic reviews. Management views the purpose of these periodic reviews as an independent examination and assessment of Company activities related to compliance with policy, procedures and the law, as well as the safeguarding of assets.

Additionally, the Company is subject to audit by the Bureau of Audits of the Pennsylvania Public

Utility Commission who routinely audit the Company's operations and financial systems.

The Company's independent accountants, PricewaterhouseCoopers LLP, are engaged to conduct an independent audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States of America. Their audit includes obtaining a sufficient understanding of the internal control structure to establish a basis for reliance thereon in determining the nature, extent and timing of the tests applied in their audit of the financial statements. Their opinion on the fairness of the reported operating results, cash flows and financial condition appears below:



Robert W. Freeston
Vice President and Treasurer
January 31, 2002

Report of Independent Accountants

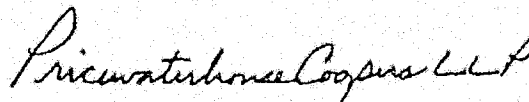
PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia, Pa 19103-7042
Telephone: (267) 330-3000

PRICEWATERHOUSECOOPERS 

To the Board of Directors and Stockholders of
Pennsylvania-American Water Company:

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings, of cash flows, of stockholder's equity and of capitalization present fairly, in all material respects, the financial position of Pennsylvania-American Water Company (a wholly-owned subsidiary of American Water Works Company, Inc.) at December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing stan-

dards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



February 1, 2002

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Historical Review At and For the Years Ended December 31

(Dollars in thousands, except per share and per customer amounts)

	2001	2000	1999	1998	1997	1996
Utility plant-at original cost	\$1,785,376	\$1,626,633	\$1,547,555	\$1,446,781	\$1,352,791	\$1,261,889
Accumulated depreciation	(298,533)	(252,973)	(231,097)	(208,955)	(179,425)	(158,717)
Net utility plant	\$1,486,843	\$1,373,660	\$1,316,458	\$1,237,826	\$1,173,366	\$1,103,172
Net plant per customer	\$2,598	\$2,484	\$2,402	\$2,282	\$2,136	\$2,068
Construction expenditures	\$97,362	\$93,758	\$108,415	\$89,228	\$97,283	\$65,244
Total assets	\$1,697,999	\$1,567,792	\$1,500,171	\$1,423,924	\$1,335,819	\$1,290,638
Capitalization at year end						
Common equity	\$556,489	\$493,872	\$459,648	\$447,980	\$436,419	\$408,587
Preferred stock	15,190	16,040	16,056	19,236	17,764	18,026
Long-term-debt-including current portion	731,990	628,606	621,591	599,355	603,122	589,940
	\$1,303,669	\$1,138,518	\$1,097,295	\$1,066,571	\$1,057,305	\$1,016,553
Customers served						
Water						
Residential	516,558	503,215	498,628	493,206	487,745	484,620
Commercial	40,590	39,101	38,957	38,610	38,564	38,278
Industrial	852	795	811	811	811	877
Public and other	5,081	4,999	4,992	5,035	4,977	4,975
Wastewater	9,283	4,827	4,819	4,674	4,576	4,618
	572,364	552,937	548,207	542,336	536,673	533,368
Water sales (million gallons)						
Residential	28,595	27,728	28,452	28,167	28,200	26,576
Commercial	12,786	12,684	12,889	12,232	12,472	11,849
Industrial	6,456	6,788	6,781	7,144	7,012	7,041
Public and other	2,874	3,081	3,590	3,702	3,668	3,666
	50,711	50,281	51,712	51,245	51,352	49,132
Annual water sales per customer (thousand gallons)						
Residential	55	55	57	57	58	57
Commercial	315	324	331	317	323	320
Industrial	7,577	8,538	8,361	8,809	8,646	8,315
Public and other	565	616	719	735	737	747
Operating revenues						
Water service						
Residential	\$202,447	\$194,398	\$183,483	\$176,155	\$162,974	\$153,162
Commercial	61,756	60,326	56,523	53,960	48,457	45,543
Industrial	21,127	21,200	20,681	21,853	19,460	19,163
Public and other	23,605	24,328	25,473	25,290	23,021	21,207
Wastewater	3,638	1,501	1,506	1,442	1,050	1,021
Other revenues	4,768	4,057	3,363	3,359	3,551	3,217
	\$317,341	\$305,810	\$291,029	\$282,059	\$258,513	\$243,313
Annual revenue per customer						
Water						
Residential	\$391	\$386	\$368	\$357	\$334	\$325
Commercial	\$1,521	\$1,543	\$1,450	\$1,398	\$1,257	\$1,230
Industrial	\$24,796	\$26,667	\$25,501	\$26,946	\$23,995	\$21,678
Public and other	\$4,645	\$4,867	\$5,103	\$5,023	\$4,625	\$4,435
Wastewater	\$392	\$311	\$313	\$308	\$229	\$221
Net income	\$52,830	\$52,499	\$46,368	\$45,947	\$37,530	\$33,282
Coverage ratios						
On long-term debt interest before income taxes	2.9	2.9	2.7	2.6	2.4	2.5
On total-interest before income taxes	2.7	2.7	2.6	2.6	2.3	2.2
On total fixed charges including preferred dividends						
Before income taxes	2.6	2.6	2.5	2.5	2.2	2.2
After income taxes	2.0	2.0	1.9	1.9	1.7	1.7



Pennsylvania-American Water Company

Our commitment is crystal clear[®]

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(717) 533-5000
www.pawc.com

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P E N N S Y L V A N I A - A M E R I C A N W A T E R C O M P A N Y

AGREEMENT

AGREEMENT made as of this 28th day of Aug, 1957,
by and between WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY, a corporation
organized and existing under the laws of the Commonwealth of Pennsylvania,
party of the first part, and hereinafter sometimes referred to as the
"Authority", and WEST PENN WATER COMPANY, also a corporation organized and
existing under the laws of the Commonwealth of Pennsylvania, party of the
second part, and hereinafter sometimes referred to as the "Water Company".

WHEREAS, the Authority desires to obtain a supply of water
from the Water Company so that it may resell such water to various customers
whose service pipes are to be attached to a water distribution system which
the Authority proposes to construct in the Noblestown and Champion Hill area
of North Fayette Township, Allegheny County, Pennsylvania; and

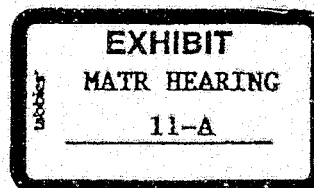
WHEREAS, the Water Company is willing to supply water to the
Authority for said purpose, but only under and subject to the
conditions of this agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

That in consideration of the premises and the further con-
sideration of the covenants and agreements herein contained, it is agreed
by and between the parties hereto as follows:

FIRST: The Authority agrees that at its own cost and expense
it will build, construct, and install a water distribution system in a
portion of North Fayette Township, Allegheny County, Pennsylvania, including
a water pipe line to connect the Authority's distribution system with the
distribution system of the Water Company at Noblestown Road and Station
Street at the termination of an existing ten inch water line of the Water
Company.

SECOND: The Water Company agrees that at its own cost and
expense, it will install a meter or meters at said point of connection
between its distribution system and the distribution system of the Authority
to measure the amount or quantity of water delivered by the Water Company
to the Authority.



MATR EP 11-A
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SECRETARY'S BUREAU

THIRD: The Authority agrees that it will pay the Water Company monthly in accordance with the consumption shown by said meter or meters at the rates of the Water Company now or hereafter legally established for water service rendered by it.

FOURTH: The Water Company agrees that it will deliver to the Authority water, at the location of said meter or meters at such rates of flow and at such pressures and in such quantities only, as are and will be available at said meter or meters from time to time, and subject to such interruptions and fluctuations in service as may from time to time occur, resulting from or arising in the operation and maintenance of the water supply and distribution system of the Water Company. It is expressly agreed by the Authority that in no event shall the Water Company be required to supply water to the Authority at rates in excess of 500 gallons per minute or in quantities exceeding 75,000 gallons per day.

FIFTH: The Authority agrees that, when and if its demand for water exceeds 500 gallons per minute or 75,000 gallons per day, it will consult with the Water Company regarding additional or larger quantities of water supply. If in its sole judgment the Water Company is unable or unwilling to furnish water in excess of the rate and quantity hereinbefore mentioned, then, and in that event the Authority agrees to develop and construct its own source of water supply, production works and related facilities for the collection and production of water and will not seek to obtain such larger supply of water from the Water Company.

SIXTH: The Water Company is not hereby offering water for fire protection service to the Authority or its customers through or by the Authority's proposed distribution system or in any part of the territory which will be served by the Authority's proposed distribution system. The Authority agrees that the Water Company shall not be considered in any manner an insurer of property or persons or as having undertaken to supply sufficient water to extinguish fires or to protect any person or any property against loss or damage by fire or otherwise.

The obligation of the Water Company hereunder to supply water to the Authority is further limited by the understanding and agreement that the Water Company shall use only such care and diligence to prevent and avoid interruptions and fluctuation in its service to the Authority as it may determine and that it does not guarantee that interruptions and fluctuations in its service to the Authority will not occur because of emergencies due to breaks, leaks, defects or necessary repairs in its facilities, or caused by strike, acts of God or other causes.

The Authority expressly agrees that the Water Company has no liability for any interruptions or fluctuation in its service hereunder to the Authority or for lack of or low water pressure or for any failure on its part to deliver quantities of water below the maximum delivery rate hereinabove provided.

SEVENTH: This Agreement shall be filed with the Pennsylvania Public Utility Commission as a supplement to the Water Company's existing tariff and shall become effective on the effective date of said supplement. It shall remain effective for a period of ten years from and after October 1, 1957 and thereafter shall continue in force and effect until terminated by written notice from either party to the other.

EIGHTH: All the terms, conditions, rights and obligations of the parties hereto shall inure to the benefit of (and be binding upon) the parties hereto their successors and assigns.

WITNESS the due execution hereof as of the day and year first above written.

ATTEST:

Theodore Ziegen, Secy.

ATTEST:

W. B. MacArthur
SECRETARY

WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

By

John A. Logan

WEST PENN WATER COMPANY

W. B. MacArthur

VICE PRESIDENT

POOR ORIGINAL

1/22/04

Docket Number C-20030092

MATR Exhibit 11-B

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT made as of this 11th day of September, 1957, by and between WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, party of the first part, and hereinafter sometimes referred to as the "Authority", and WEST PENN WATER COMPANY, also a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, party of the second part, and hereinafter sometimes referred to as the "Water Company".

WHEREAS, the parties hereto have entered into an Agreement dated the 28th day of August, 1957, wherein the Water Company has agreed, under certain conditions, to provide to the Authority a source or supply of water for resale to the Authority's customers; and

WHEREAS, as the result of request by the Department of Health of the Commonwealth of Pennsylvania certain additional information and terms are desired in the aforesaid Agreement of the 28th day of August, 1957;

DOCUMENT
FOLDER

NOW, THEREFORE, THIS AGREEMENT BEING SUCH:

That in consideration of the premises and the further consideration of the covenants and agreements herein contained, it is agreed by and between the parties hereto as follows:

That the following paragraph shall be known as Paragraph #9 of the original Agreement dated the 28th day of August, 1957.

NINE: The Water Company hereby agrees to furnish to the Authority under the terms and conditions of the within Agreement a supply of water which at all times shall be satisfactory to the State Department of Health of the Commonwealth of Pennsylvania.

WITNESS the due execution hereof as of the day and year first above written.

ATTEST:

Theodore Zierden, Secy.

WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

By John A. Logan, Chairman

ATTEST:

WEST PENN WATER COMPANY

By _____

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C-20030092
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PENNSYLVANIA-AMERICAN WATER COMPANY
(Hereinafter referred to as the "Company")

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RATES AND RULES

GOVERNING THE DISTRIBUTION AND SALE OF WATER

IN CERTAIN MUNICIPALITIES AND TERRITORIES LOCATED

THERETO IN ADAMS, ALLEGHENY, ARMSTRONG, BEAVER, BERKS, BUCKS,
BUTLER, CENTRE, CHESTER, CLARION, CLEARFIELD, COLUMBIA, CUMBERLAND,
DAUPHIN, FAYETTE, INDIANA, JEFFERSON, LACKAWANNA, LANCASTER,
LAWRENCE, LEBANON, LUZERNE, MCKEAN, MONROE, MONTGOMERY,
NORTHAMPTON, NORTHUMBERLAND, PIKE, SCHUYLKILL, SUSQUEHANNA,
UNION, WASHINGTON, WARREN, WAYNE, AND YORK COUNTIES

ALL IN THE COMMONWEALTH OF PENNSYLVANIA

**DOCUMENT
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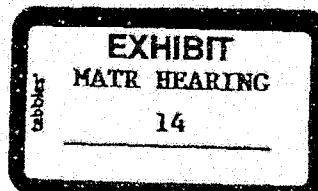
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Filed in compliance with the Pennsylvania Public Utility Commission
Order A-212285F0069, entered February 1, 2000.

Issued: April 2, 2003

Effective: April 6, 2003

BY: R. M. Ross, President



MATR. EX 14
0-20030092
1-21-04
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Issued: January 17, 2002

Effective: January 15, 2002

Supplement No. 120 to
Tariff Water-PA P.U.C. No. 4

Tenth Revised Page 9

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling 8th and 9th Rev.

Page 9

SCHEDULE OF RATES APPLICABLE TO RATE ZONE 1
FOR ALL RATE CLASSES EXCEPT INDUSTRIAL

METER RATES

All water supplied by the Company for any and all purposes, except Industrial, Qualified Private Fire Hydrants and Public Fire Hydrants, shall be metered as hereinafter set forth. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

Service Charges
For All Rate Classes Except Industrial

All metered customers shall be subject to a monthly or bimonthly service charge, based on the size of meter required to render adequate service. (I)

<u>Size of Meter</u>	<u>Service Charge Per Month Except Other Water Utilities</u>	<u>Service Charge Per Month Other Water Utilities</u>
5/8 inch	\$ 10.50	\$ 12.70
3/4 inch	15.80	19.00
1 inch	26.30	32.00
1-1/2 inch	43.10	64.00
2 inch	68.90	102.00
3 inch	129.00	191.00
4 inch	162.00	318.00
6 inch	242.00	635.00
8 inch	468.00	1,016.00
10 inch	678.00	1,461.00
12 inch	1,061.00	2,286.00

Consumption Charges For all Rate Classes Except Industrial
The following rates shall apply per 100 gallons.

(I)

	<u>FIRST 16,000/MONTH</u>	<u>NEXT 584,000/MONTH</u>	<u>ALL IN EXCESS OF 600,000/MONTH</u>
Residential	.5277	.5277	.5277
Commercial	.5277	.3945	.3945

Municipal	.5211	.4210	.4210
Other Water			
Utilities Group A	.3920	.3920	.3920
Other Water			
Utilities Group B	1.0000	1.000	1.0000

Issued: January 28, 2002

Effective: January 25, 2002

Supplement No. 120 to
Tariff Water-PA P.U.C. No. 4
9th Revised Page 9A

PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling 7th and 8th Rev. Page
9A

SCHEDULE OF RATES APPLICABLE TO RATE ZONE 1
FOR INDUSTRIAL RATE CLASS

METER RATES

All water supplied by the Company for Industrial purposes shall be metered as hereinafter set forth. All meters shall be read monthly or bimonthly and the water used shall be paid for in accordance with the following schedule of rates.

Service Charges
For Industrial Rate Class

All metered customers shall be subject to a monthly or bimonthly service charge, based on the size of meter required to render adequate service. (I)

<u>Size of Meter</u>		<u>Per Month</u>
5/8	inch	\$ 15.70
3/4	inch	23.60
1	inch	39.30
1-1/2	inch	78.50
2	inch	125.60
3	inch	236.00
4	inch	393.00
6	inch	785.00
8	inch	1,256.00
10	inch	1,806.00
12	inch	2,826.00

Consumption Charges For Industrial Rate Class (I)

The following rates shall apply per 100 gallons per month.

Industrial

Industrial Curtailment*

PENNSYLVANIA-AMERICAN WATER COMPANY
9E

RIDER DRS - DEMAND-BASED RESALE SERVICE

Applicability.

Throughout the territory served under this tariff.

Availability.

This rider is available to a customer that:

- (1) purchases water from the Company for resale;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to maintain a daily load factor of not less than 0.75; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

Rate.

(C)

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s):

- (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the Company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing With The Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code 91.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order,

the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's execution of a Confidentiality Agreement.

Issued: August 2, 1996

Effective: August 2, 1996

26.4 Municipal

- A. Sales to governmental agencies (other than sales of water for resale).
- B. Sales of water for municipal and other public purposes, other than public fire protection. Include sales for sewer and street flushing, also for street and sidewalk construction when done by the municipality. Also include sales such as the filling of public swimming pools, drinking and display fountains, parks, schools, hospitals, cemeteries, buildings. Sales of water for City, County, State and Federal uses are to be included in this classification.

26.5 Sales for Resale (C)

Sales to private or public water utilities where the water is to be resold to customers of the utilities.

Group A: Customers purchasing water as a primary source of supply as evidenced by their relationship of maximum day use to average day use.

Group B: Customers purchasing water for emergency or peak shaving purposes as evidenced by their relationship of maximum day use to average day use.

26.6 Private Fire Protection

Covers all unmetered charges for fire protection service other than charges for public fire protection.

26.7 Public Fire Protection

Charges rendered to municipalities for public fire hydrant (rental) stand-by charges.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

DOCKET NO. C-20030092

DOCUMENT
FOLDER

DOCKETED

MAR 09 2004

DIRECT TESTIMONY
OF BERNARD J. GRUNDUSKY

ON BEHALF OF PENNSYLVANIA-AMERICAN WATER COMPANY

PAWC STATEMENT NO. 1

November 17, 2003

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SECRETARY'S BUREAU

PAWC Stmt 1
ex 1-A, 1-B, 1-C
C-20030092
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PENNSYLVANIA-AMERICAN WATER COMPANY

DIRECT TESTIMONY OF BERNARD J. GRUNDUSKY

1 Q. Please state your full name and business address.

2 A. My name is Bernard J. Grundusky, and my business address is 800 West Hershey Park Drive,
3 Hershey, PA 17033.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by American Water Works Service Company (the "Service Company") as
6 Manager of Business Development for Pennsylvania-American Water Company
7 ("Pennsylvania-American" or the "Company").

8 Q. Please state your educational background and experience in the waterworks business.

9 A. I received a Bachelor of Science degree in Accounting from the Pennsylvania State University
10 in August of 1990 and a Masters in Business Administration from Lebanon Valley College in
11 1994. My experience in the waterworks business began in March 1991 when I was employed
12 as a Rate Analyst in the Rates and Revenue Department of the Service Company. As a Rate
13 Analyst, I was responsible for preparing extensive financial analysis and written testimony to
14 support Pennsylvania-American rate increase requests. On January 1, 1993, I was transferred
15 from the Service Company to Pennsylvania-American. On July 1, 1995, I was promoted to
16 Senior Rate Analyst. On October 16, 1996, I was promoted to Financial Analyst in
17 Pennsylvania-American's Administration Department. My principal duties in that capacity
18 included the preparation and administration of the revenue, operating and maintenance
19 budgets and assistance in the preparation of the capital budgets; the review of results of
20 operations by budget categories; and annual review and refinement of budgeting techniques.
21 On July 1, 1997, I was promoted to Intermediate Financial Analyst, and, on July 1, 1998, I

1 was promoted to Senior Financial Analyst. On January 1, 1999, I transferred duties to
2 Pennsylvania-American's Business Development Department. On July 1, 2000, I was
3 promoted to my current position of Manager of Business Development, and, on January 1,
4 2003, I was transferred to American Water Works Service Company.

5 **Q. Please describe your business responsibilities as Manager -Business Development.**

6 **A.** I develop and maintain necessary contacts to stay abreast of new business opportunities in
7 both the water and wastewater fields. In addition, I prepare, analyze and conduct due
8 diligence related to potential acquisitions and other related business ventures. These
9 responsibilities necessitate that I maintain a working knowledge of regulatory and technical
10 developments, new technologies and current trends as they affect water and wastewater
11 facilities, and that I be familiar with legislation, regulation and public policy affecting
12 business opportunities.

13 **Q. What is the purpose of your testimony?**

14 **A.** The purpose of my testimony is to explain that the Water Sales Agreement entered into
15 between Pennsylvania-American and the Western Allegheny County Municipal Authority
16 ("WACMA") satisfies the terms of Rider DRS (Demand Resale Service) to the Company's
17 tariff.

18 **Q. What is Rider DRS?**

19 **A.** Rider DRS was one of three riders approved by the Commission in its final Order entered July
20 24, 1995 in the Company's 1995 water base rate case, at Docket No. R-0943231, to permit the
21 Company to charge competitive rates in order to retain or attract sales from qualifying large
22 volume users. In addition to Rider DRS, the Commission approved Riders DIS (Demand
23 Industrial Service) and EGS (Electric Generation Service). The terms of the Riders were

1 revised slightly by the Commission's Order entered June 6, 1996 at the same docket number.

2 A copy of Rider DRS from the Company's currently effective tariff is provided as PAWC
3 Exhibit No. 1-A.

4 Q. Has the Company entered into a Water Sales Agreement with WACMA pursuant to the
5 terms of Rider DRS?

6 A. Yes, it has. Pennsylvania-American and WACMA entered into a Water Sales Agreement
7 dated March 28, 2003. As required, the Agreement was filed with the Commission and
8 served on the Office of Consumer Advocate. A copy of the Water Sales Agreement has been
9 presented as Robinson Township Exhibit No. Lenze-9

10 Q. Was WACMA an existing customer of Pennsylvania-American at the time the Water
11 Sales Agreement was executed?

12 A. Yes, WACMA was, and remains, a customer of Pennsylvania-American. WACMA, or its
13 predecessors, has been a customer of the Company, or its predecessors, since 1957.
14 Pennsylvania-American has provided sale-for-resale water service to WACMA continuously
15 since that time through a single, metered point of interconnection located within the
16 Company's service territory in South Fayette Township, Allegheny County

17 Q. Will additional connections be established pursuant to the Water Sales Agreement?

18 A. Yes, three additional metered connections are being established. Two are in Collier Township
19 and South Fayette Township, Allegheny County, which are at the eastern end of the WACMA
20 system, and one is in Robinson Township, Washington County, which is at the western end of
21 the WACMA system. All three additional connection points are located within Pennsylvania-
22 American's service territory. PAWC Exhibit No. 1-B is a copy of a map showing the pre-
23 existing and three additional interconnection points. Pennsylvania-American is constructing

1 the interconnections as well as additional pipeline and other facilities to provide service to
2 WACMA.

3 Q. What are the relevant terms of Rider DRS?

4 A. Rider DRS, as approved by the Commission, is available to any customer that: (1) purchases
5 water from the Company for resale; (2) enters into a Service Agreement for a term of not less
6 than 10 years; (3) during the original and any renewal terms of the Service Agreement, agrees
7 to maintain a daily load factor of not less than 0.75, and (4) has a viable competitive
8 alternative to service from the Company and intends to select that alternative to the detriment
9 of the Company and its other customers (Tariff Water-PA P.U.C. No. 4, Second Revised Page
10 9E). Rider DRS further provides that the rates to be charged qualifying customers shall not
11 exceed the "Maximum Rate" nor be less than the "Minimum Rate," both as defined in Rider
12 DRS, and shall be subject to an agreed upon "Escalation Clause."

13 Q. Does the Water Sales Agreement between Pennsylvania-American and WACMA satisfy
14 the terms of Rider DRS?

15 A. Yes, it does. WACMA will purchase water for resale. The term of the Water Sales
16 Agreement is greater than ten years, and WACMA has agreed to maintain a load factor of at
17 least 0.75. The rate specified in the Water Sales Agreement is above the Minimum Rate set
18 forth in Rider DRS, as I will explain in greater detail hereafter. The Water Sales Agreement
19 also provides for escalation of the contract rate. WACMA clearly has competitive
20 alternatives, such as, the Complainant, Robinson Township, Allegheny County and Moon
21 Township Municipal Authority. WACMA also expressed its intent to select that alternative,
22 which would have resulted in the loss of the Company's existing sales, as well as the loss of

1 the opportunity for additional sales, both of which would have worked to the detriment of the
2 Company and its other customers.

3 Q. Explain how the loss of existing sales and the loss of the opportunity for additional sales
4 would work to the detriment of the Company and its other customers.

5 A. Both the rate currently charged by the Company and the rate set forth in the Water Sales
6 Agreement provide a significant contribution to the recovery of the Company's fixed costs.
7 The loss of existing sales and the loss of the opportunity for additional sales would mean that
8 the fixed costs that are, and will be, recovered from WACMA would have to be borne by the
9 Company until that loss is reflected in rates and, thereafter, would have to be made up by the
10 Company's other customers through higher rates. In fact, Pennsylvania-American and its
11 customers have already felt the additional revenue requirement burden associated with the
12 loss of water sales to WACMA. In 1999, WACMA completed interconnecting pipelines that
13 allowed the transfer of water from the eastern side of its system to the section previously
14 supplied by Pennsylvania American. Until that time, WACMA relied upon PAWC to supply
15 a material proportion of the water to southern end of its system, because sufficient volumes
16 could not be transmitted from the interconnections with its other suppliers, at the eastern end
17 of its system. The completion of the new water transmission loop enabled WACMA to
18 increase its purchases from other providers and significantly reduce its purchases from
19 Pennsylvania-American. Following those system changes, WACMA's purchases from the
20 Company fell 75-80% below prior sales levels.

21 Q. Was it likely that, without the Water Sales Agreement, Pennsylvania-American would
22 lose even its much lower post-1998 level of sales to WACMA?

1 A Yes, it was. Because WACMA increased its ability to transfer water to the southern section
2 of its system, it became practical for WACMA to purchase the bulk of its water from other,
3 lower-priced providers. The initial term of WACMA's agreement to purchase water from
4 Robinson Township was set to expire on October 20, 2003. We believed that it was likely
5 that WACMA would attempt to negotiate a new agreement sufficient to cover virtually all of
6 its water supply needs. If WACMA contracted with Robinson Township, PAWC's pre-1999
7 level of sales would be lost permanently, and its lower post-1999 level of sales could be lost
8 as well.

9 Q. What is the Minimum Rate specified in Rider DRS?

10 A The "Minimum Rate" specified by Rider DRS must be sufficient to recover: "(1) the
11 Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with
12 all new facilities added to serve the customer, and (3) some portion of the fixed costs of the
13 Company's other facilities."

14 Q. Is the rate set forth in the Water Sales Agreement above the Minimum Rate?

15 A Yes, it is considerably above the Minimum Rate. As shown by PAWC Exhibit No. 1-C, the
16 Minimum Rate for service to WACMA is not more than \$1.05 per thousand gallons, which
17 consists of the Company's total system average production cost of water (\$0.37 per thousand
18 gallons) and the fixed costs of the facilities Pennsylvania-American is constructing to serve
19 WACMA (\$0.67 per thousand gallons). As noted on Exhibit No. 1-C, the Company's
20 production cost of water for the Pittsburgh area, i.e., the production cost the Company will
21 incur to serve WACMA, is only \$0.21 per thousand gallons. Using that figure, the Minimum
22 Rate is only \$0.83 per thousand gallons. Unless otherwise indicated on PAWC Exhibit No. 1-

1 C, all of the data used in the calculations is from the Company's books and records
2 maintained in its ordinary course of business.

3 Q. Please summarize your conclusions.

4 A. Pennsylvania-American and WACMA entered into the Water Sales Agreement under, and
5 pursuant to, the terms of the Commission-approved Rider DRS. The Water Sales Agreement
6 satisfies all of the requirements of Rider DRS. WACMA was an existing customer of PAWC
7 at the time the Water Sales Agreement was entered, and PAWC faced the possibility of (1)
8 losing its existing sales; (2) permanently losing the higher historic level of sales it had made
9 to WACMA prior to 1999; and (3) losing the opportunity for increased sales to WACMA.
10 The Water Sales Agreement permits PAWC to charge competitive rates to address the
11 competitive alternative available to WACMA, which WACMA intended to pursue to the
12 detriment of PAWC and its other customers.

13 Q. Does this conclude your direct testimony?

14 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

DOCKET NO. C-20030092

PAWC EXHIBIT NO. 1-A

DOCKETED

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November 17, 2003

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PENNSYLVANIA-AMERICAN WATER COMPANY

Canceling First Revised Page 9E

RIDER DRS - DEMAND-BASED RESALE SERVICE

Applicability.

Throughout the territory served under this tariff.

Availability.

This rider is available to a customer that:

- (1) purchases water from the Company for resale;
- (2) enters into a Service Agreement for a term of not less than 10 years;
- (3) during the original and any renewal terms of the Service Agreement, agrees to maintain a daily load factor of not less than 0.75; and
- (4) has a viable competitive alternative to service from the Company and intends to select that alternative to the detriment of the Company and its other customers.

The Company shall require documentation to establish, to the Company's satisfaction, the existence of a competitive alternative. Such documentation may include, but is not limited to, an affidavit of the customer or, if the customer is a corporation, an affidavit of one or more of its officers.

Rate.

(C)

The rate(s) to be charged qualifying customers under this rider will be as set forth in the Service Agreement, provided, however, that such rate(s): (1) shall not exceed the Maximum Rate; (2) shall not be less than the Minimum Rate; and (3) shall be subject to an Escalation Clause, as hereafter defined.

Maximum Rate: The Maximum Rate shall be the charges specified in the company's Rate Schedule that would otherwise apply to the qualifying customer absent this rider.

Minimum Rate: The Minimum Rate shall be sufficient to recover: (1) the Production Cost of Water; (2) the fixed costs (depreciation and pre-tax return) associated with all new facilities added to serve the customer; and (3) some portion of the fixed costs of the Company's other facilities. For purposes of this rider, the Production Cost of Water shall be the variable cost the Company incurs to produce additional treated water, which consists of expenses for electric power, chemicals and purchased water.

Escalation Clause: The rate set forth in the Service Agreement shall be subject to an Escalation Clause, during the original and any renewal terms of the Service Agreement, based upon changes in published price indices and/or changes in the Company's cost of service, as the Company and the qualifying customer shall agree.

Filing With The Pennsylvania Public Utility Commission/Confidentiality: Service Agreements entered into between the Company and qualifying customers under this rider shall be filed with the Commission on a confidential basis within five (5) days of their execution and shall not be subject to disclosure except by Petition made to and granted by the Commission pursuant to 52 Pa. Code 91.74 and the Commission's Order entered June 6, 1996 at Docket No. R-00943231. However, as required by that Order, the Company shall provide copies of such Service Agreements to the Pennsylvania Office of Consumer Advocate ("OCA") contemporaneously with their filing with the Commission, subject to the OCA's

execution of a Confidentiality Agreement.

Issued: August 2, 1996

Effective: August 2, 1996

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

DOCKET NO. C-20030092

DOCUMENT
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PAWC EXHIBIT NO. 1-B

November 17, 2003

DOCKETED

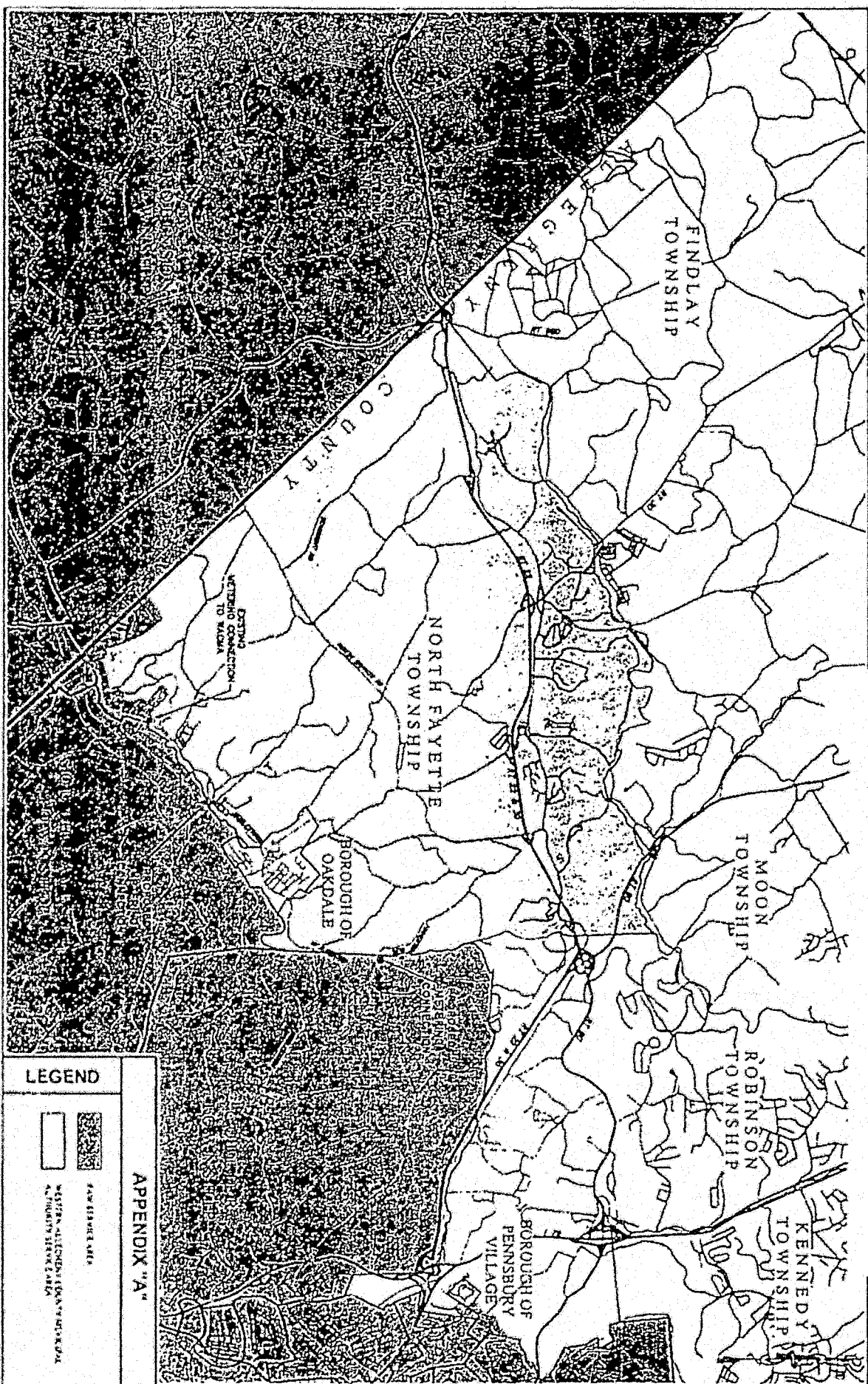
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

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PENNSYLVANIA -AMERICAN WATER COMPANY
 WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY
 Minimum Rate Calculation

Minimum Rate Computation

Criterion #1 - Production Cost of Water
 Criterion #2 - Fixed Costs on new facilities
 Criterion #3 - Fixed Costs on existing facilities
 Minimum Rate

Per 1,000 Gallons	Annual Dollars
\$0.37	\$162,060
\$0.67	294,098
\$0.01	4,380
<u>\$1.05</u>	<u>\$460,538</u>

Criterion #1 - Recovery of the Production Cost of Water

Production Cost of Water per 1,000 gallons (1)
 Gallons per year (1,000 gallons)
 Annual Production Cost of Water

\$0.37	PAWC Tariff page 9B2, Consumption Charges
438,000	Per Contract
<u>\$162,060</u>	

Note 1: the 2002 production cost of water for PAWC's Pittsburgh facilities = \$0.21 per 1,000 gallons

Criterion #2 - Recovery of Fixed Costs on New Facilities

Estimated Cost of Additional Facilities
 Pre-Tax Rate of Return
 Pre-Tax Return
 Estimated Cost of Additional Facilities
 Depreciation Rate for Additional Facilities
 Annual Depreciation

\$2,106,215	Appendix A
11.28%	
<u>\$237,487</u>	

\$2,106,215
2.69%
<u>\$56,611</u>

Revenue Requirement (Pre-Tax Return and Depreciation) on New Facilities

<u>\$294,098</u>

Rate per 1,000 gallons (\$294,098/438,000 tg)

\$0.67

Contractual usage

Gallons per day
 Gallons per year (1,000 gallons)

1,200,000	Per Contract
438,000	

PA-AMERICAN WATER COMPANY
MINIMUM RATE ANALYSIS
WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

APPENDIX A

Type	(000's) Amount	Capital Structure	Cost Rate	Weighted Average Cost Rate	Revenue Multiplier	Revenue Requirement
Debt	\$884,987	56.8%	6.15%	3.49%		3.49%
Preferred	\$15,190	1.0%	8.08%	0.08%	1.70921	0.13%
Equity	\$657,329	42.2%	10.60%	4.47%	1.70921	7.65%
Overall Pre-Tax Rate of Return						11.28%

The weighted average cost rates for debt and preferred stock reflect the Company's pro forma capital structure and cost rates at December 31, 2003. The equity return rate is the Company's current authorized return on equity approved in the Commission's final Order at Docket No. R-00016339.

Revenue Multiplier Calculated as follows:

* Calculation:	1999
	100.00%
State Tax Rate	9.99%
Taxable Remainder	90.01%
Federal Tax Rate	35.00%
Federal Tax Rate	31.50%
State Portion	9.99%
Federal Portion	31.50%
Composite Tax Rate	41.49%
Tax Expansion Factor (100% - 41.49%)	58.51%
Revenue Multiplier: (100% / 58.51%)	1.70921

BEFORE THE
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THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

DOCKET NO. C-20030092

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DIRECT TESTIMONY
OF STEVEN J. SEIDL

ON BEHALF OF PENNSYLVANIA-AMERICAN WATER COMPANY

PAWC STATEMENT NO. 2

November 17, 2003

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PAWC Stmt. 2
C-20030092
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PENNSYLVANIA-AMERICAN WATER COMPANY

DIRECT TESTIMONY OF STEVEN J. SEIDL

1 Q. Please state your full name and business address.

2 A. Steven J. Seidl, 800 West Hershey Park Drive, Hershey, Pennsylvania 17033

3 Q. By whom are you employed and in what capacity?

4 A. I am employed by Pennsylvania-American Water Company ("Pennsylvania-American,"
5 "PAWC" or the "Company") as its Vice President-Engineering.

6 Q. Will you please outline your business experience in the water utility industry?

7 A. In 1984, following graduation from college, I accepted the position of Project Engineer with
8 Malcolm Pirnie, Inc. I remained in that position until May 1988, when I was hired as Senior
9 Engineer/Supervisor with the Bridgeport Hydraulic Company. In January 1992, I was
10 promoted to Superintendent, Supply Operations with Bridgeport Hydraulic. I remained in
11 that position until June 1995, when I accepted the position of Vice President-Engineering with
12 PAWC.

13 I am a registered Professional Engineer in Pennsylvania. I also hold Class A Water Treatment
14 and Class A Sewage Treatment Operator Certificates in Pennsylvania and Class IV Water
15 Treatment and Class III Distribution Operator Certificates from the State of Connecticut.

16 Q. What is your educational background?

17 A. In 1984, I received a Bachelor of Science degree in Civil Engineering from George
18 Washington University.

19 Q. What is the nature of your duties with Pennsylvania-American?

20 A. The major duties and responsibilities of my current position include overseeing the
21 organization and scheduling of construction projects; assuring compliance with engineering

and water quality policies and procedures; assisting in construction budgeting; coordinating
and directing engineering activities for production and distribution facilities; evaluating
project alternatives; and preparing annual and five-year engineering and water quality plans.

Q What is the purpose of your testimony?

A The purpose of my testimony is to address certain factual inaccuracies in the direct testimony of Raymond H. Antonelli concerning the hydraulic gradient of the PAWC system and the Western Allegheny County Municipal Authority's (WACMA) ability to continue to purchase water from PAWC in the event of main breaks in, or leading to, the northern tier of the WACMA system. While neither of Mr. Antonelli's statements on those matters are relevant to the issue of whether PAWC may properly provide service to WACMA under its Rider DRS and the Water Sales Agreement between PAWC and WACMA, the Company believes that those factual errors, nonetheless, should be corrected.

Q. Please identify the statements by Mr. Antonelli concerning PAWC's hydraulic gradient that are incorrect.

A. At page 10 of his direct testimony, Mr. Antonelli states: "The hydraulic gradient of the PAWC system in the WACMA/Robinson Service Area is not capable of supplying water to WACMA without the need to continuously pump into the WACMA system." That statement is not correct. Mr. Antonelli also states, at the same page: "All three of the interconnects between MATR and PAWC require pumping." I believe Mr. Antonelli meant to say "between WACMA and PAWC." That statement is also incorrect.

Q. Please explain why Mr. Antonelli's statements, quoted above, are incorrect.

A WACMA operates a single integrated water system, which has three hydraulic gradients. The Main Gradient is pumped by WACMA to the McKee Road 1.0 million gallon ("MG")

1 elevated tank and to the two Santiago 0.5 MG ground storage tanks. All three tanks have an
2 overflow at elevation 1372 feet. WACMA currently receives water from PAWC's McDonald
3 system through an interconnection in the southern portion of the WACMA system located
4 along Noblestown Road at Margarita Street ("Noblestown Road Gradient"). WACMA's
5 Noblestown Road gradient operates at the overflow elevation of the McDonald tank, which is
6 at 1230 feet. The portion of the WACMA system at the Noblestown Road Gradient was
7 independent from the Main Gradient until 1998, when WACMA installed an 8" waterline
8 along Whitengale Road from North Branch Road to the existing WACMA waterline along
9 Noblestown Road. This project also included the installation of a pressure regulating valve to
10 reduce the pressure of water flowing from the WACMA Main Gradient to the Noblestown
11 Road Gradient.

12 Under the Water Sales Agreement, PAWC will provide three additional connections
13 from within its certificated service territory located at the southern, southeastern and western
14 portions of the WACMA system.

15 The southern connection will be along McVey Street at Willow Avenue off
16 Noblestown Road. This connection will supply water to WACMA from PAWC's 24-inch
17 transmission line to the McDonald area by means of the PAWC Sturgeon Pressure Regulating
18 Valve (PRV) Station. Because PAWC's 24-inch transmission line has operating pressures
19 above those of the Noblestown Road Gradient, the Sturgeon PRV Station will reduce the
20 pressure of the water flowing into the WACMA Noblestown Road Gradient.

21 The western connection will be located in Robinson Township, Washington County,
22 near the intersection of Route 980 and Steubenville Pike near the western end of North
23 Fayette Township near the WACMA Santiago tanks. This connection will be supplied by

1 PAWC waterlines that operate off PAWC's Rocky Ridge Tank gradient. The Rocky Ridge
2 Tank gradient has an overflow elevation of 1405 and a normal operating range between 1375
3 and 1395 feet as it varies during the course of a day. PAWC's hydraulic grade line at this
4 location is very close to, and at certain times slightly higher than, WACMA's Main Gradient
5 and, therefore, continuous pumping will not be necessary. In addition, the Route 980 booster
6 has a back-up diesel generator that can supply power in the event of an interruption in the
7 outside electric supply.

8 The south eastern connection will be along Pinkerton Run Road at the Collier/North
9 Fayette boundary line and will supply WACMA's 10 MG McKee Road elevated storage tank
10 and the Santiago ground storage tanks. This connection will be supplied by PAWC waterlines
11 that operate off the PAWC Rocky Ridge Tank gradient. PAWC's hydraulic grade line at this
12 location is very close to, and at time slightly above, WACMA's Main Gradient and, therefore,
13 continuous pumping will not be necessary. In addition, the Pinkerton Run Road booster has a
14 back-up diesel generator that can supply power in the event of an interruption in the outside
15 electric supply.

16 **Q.** At pages 12-13 of his direct testimony, Mr. Antonelli contends that water main breaks in
17 the "Northern Tier" of the WACMA system would necessarily require WACMA to
18 purchase water from Robinson and Moon Township. Is that statement correct?

19 **A.** No, it is not. Interruptions of service from water line breaks in the piping system coming
20 from the South would be offset by transmitting the required water from PAWC's other
21 interconnection points and vice versa. PAWC's points of connection, located at the southern,
22 southeastern and western sections of the WACMA system, will provide all of the necessary

1 redundancy and reliability to assure that water can continue to be supplied to, and within, the
2 WACMA system in the event of main breaks within the WACMA system.

3 Q. Does this conclude your direct testimony?

4 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON

Complainant-Petitioner,

v.

PENNSYLVANIA-AMERICAN
WATER COMPANY

Respondent.

Docket No. C-20030092

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DIRECT TESTIMONY OF PHILLIP W. MORRIS, SR.
FOR WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY
INTERVENOR

DOCKETED
MAR 09 2004

John A. Vuono, Esq.
William A. Gray, Esq.
Attorneys for
Western Allegheny County
Municipal Authority
Intervenor

Of Counsel:

VUONO & GRAY, LLC
2310 Grant Building
Pittsburgh, PA 15219
(412) 471-1800
Due Date: November 17, 2003

WACMA Ex. 1
C-20030092
1-21-04
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1 **DIRECT TESTIMONY OF PHILLIP W. MORRIS, SR.**
2
3 **FOR WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY**
4

5 Q. Please state your name and address.

6 A. Phillip W. Morris, Sr., 4803 Main Street, McDonald, PA 15057.

7 Q. By whom are you employed?

8 A. Alex Paris Contracting Company

9 Q. What is the business of Alex Paris Contracting?

10 A. Our company constructs water lines and sewer lines, does site work for buildings
11 and roads. It does not construct buildings or roads.

12 Q. What is your capacity with Alex Paris Contracting?

13 A. I am the maintenance coordinator. I supervise our company's equipment, make
14 certain that it is ready for use and arrange scheduling of equipment and make
15 certain that the equipment is ready for use.

16 Q. How long have you been employed by Alex Paris Contracting?

17 A. Approximately 7 years.

18 Q. Prior to your employment with Alex Paris Contracting, by whom were you
19 employed?

20 A. I was employed by Russell Industries of Bridgeville, PA for approximately 21-1/2
21 years. That company is no longer in business.

22 Q. What is your educational background?

- 1 A. After graduating from high school I completed an eighteen month course in
2 drafting.
- 3 Q. Are you appearing in this proceeding in behalf of Western Allegheny County
4 Municipal Authority which I will hereafter refer to as WACMA?
- 5 A. Yes.
- 6 Q. What is your position with WACMA?
- 7 A. I am the Chairman of the Authority.
- 8 Q. Have you been authorized by WACMA to testify in this proceeding?
- 9 A. Yes.
- 10 Q. How long have you been a member of the Board of WACMA?
- 11 A. Since 1985--approximately 18 years.
- 12 Q. How long have you held the position of Chairman?
- 13 A. Approximately one year and nine months.
- 14 Q. How many members are there on the Board?
- 15 A. There are five members.
- 16 Q. Are the Board members elected or appointed?
- 17 A. They are appointed by the North Fayette Township Supervisors.
- 18 Q. Are the appointments for a term certain?
- 19 A. The appointments are for five years.
- 20 Q. How many years do you have remaining on your appointment?
- 21 A. Approximately three and one-half years.
- 22 Q. Do you presently serve on the Board of any other municipal authority?

1 A. No.

2 Q. Prior to becoming Chairman of the Board, did you serve in other capacities with
3 the Authority?

4 A. Yes. At various times, I have served as Vice Chairman and Treasurer.

5 Q. Who are the other members of the Board and what are their offices?

6 A. Judy A. Dewey – Vice Chairman
7 Patrick J. Fleck, Jr. – Secretary
8 John McGrogan – Treasurer
9 Tom Meyers – Assistant Secretary/Treasurer

10 Q. Does WACMA presently have a Manager?

11 A. No. However, the Board intends to begin interviewing for the position early next
12 year.

13 Q. How many employees does WACMA have at the present time?

14 A. WACMA has three office employees and four field employees.

15 Q. How often does the WACMA Board meet?

16 A. We have a regular monthly meeting and from time to time we convene special
17 meetings when necessary.

18 Q. Are you generally familiar with the business of WACMA?

19 A. I am not involved in the day-to-day operations of WACMA. However, I am
20 familiar with the policy issues and other matters that are the function of the Board.
21 I preside at the Board meetings and work with our employees to implement Board
22 policies.

1 Q. Is WACMA a municipal corporation?

2 A. Yes. It was formed in Pennsylvania in 1953 and was previously known as the

3 North Fayette Township Authority.

4 Q. Will you generally describe the scope of WACMA's business?

5 A. WACMA is engaged in the water distribution business. It does not produce water

6 and is a distribution -only authority. It is dependent on other parties to supply all

7 of its water.

8 Q. What is the WACMA distribution area?

9 A. WACMA serves customers in North Fayette and Findlay Townships, both of

10 which are in Allegheny County.

11 Q. How many customers does WACMA presently serve?

12 A. We serve approximately 12,871 customers through 3,982 service connections.

13 Q. I assume that total includes both residential and commercial customers?

14 A. Yes.

15 Q. Has the WACMA's customer base been expanding in recent years?

16 A. Yes. There has been a dramatic increase in the number of residential and

17 commercial customers in our service area.

18 Q. Do you expect this trend to continue?

19 A. I have no reason to believe that it will not.

20 Q. Does the increase in demand for WACMA's service place any special burdens on

21 the Board?

1 A. The Board recognizes that it has an important obligation to see that at all times
2 there is an adequate supply of water available to its present and expanding
3 customer base.

4 Q. Are you familiar with the formal Complaint filed in this proceeding by the
5 Municipal Authority of the Township of Robinson which I will hereinafter refer to
6 as MATR against Pennsylvania-American Water Company which I will call
7 PAWC?

8 A. I am generally familiar with what is involved in the case.

9 Q. Has WACMA intervened in this proceeding in support of PAWC?

10 A. Yes.

11 Q. Can you briefly state why WACMA has intervened in the case?

12 A. We understand that among other things, the Complaint asks the Commission to
13 void the Water Sales Agreement which WAMCA entered into with PAWC on
14 March 28, 2003 and to prohibit PAWC from commencing service pursuant to the
15 Agreement and constructing any facilities with respect to the service. In view of
16 WACMA's obligation to see that there is no interruption in water service to its
17 customers, WACMA had no alternative but to intervene in the proceeding to
18 protect its interests.

19 Q. What are the present sources of WACMA's water supply?

20 A. MATR, of course, as well as Pennsylvania-American Water Company and the
21 Moon Township Municipal Authority. WACMA also has interconnections with

1 the Findlay Township Water Authority and Oakdale Borough which supply
2 sources are available primarily for emergency situations.

3 Q. How long has WACMA had a business relationship with PAWC.

4 A. WACMA has had a water supply contract with West Penn Water Company, a
5 predecessor to PAWC, since August 28, 1957 which is a period of more than
6 forty-six years.

7 Q. Has the water supply service provided by PAWC been satisfactory to WACMA?

8 A. The water supply services of PAWC have been satisfactory.

9 Q. Does MATR presently provide a substantial portion of WACMA's water
10 requirements?

11 A. Yes.

12 Q. Does WACMA presently have a Water Supply Agreement in effect with MATR?

13 A. Yes. The current contract with MATR was signed in 1983.

14 Q. Are you referring to the Agreement dated October 20, 1983 which has been
15 marked for identification as Exhibit LENZE-1?

16 A. Yes.

17 Q. What was the termination date of that Agreement?

18 A. The term of the Agreement was for twenty years and was scheduled to terminate
19 on October 21, 2003.

20 Q. Have WACMA and MATR agreed to extend the term of the 1983 Agreement?

21 A. Yes.

(Whereupon Exhibit Morris-1 was
marked for identification.)

Q. I show you what is marked for identification as Exhibit Morris-1 and ask if you
can identify this document.

A. This is a copy of the Agreement entered into on October 16, 2003 by WACMA
and MATR extending the 1983 Agreement beyond its original termination date.

Q. Did you execute the Extension Agreement in behalf of WACMA?

A. Yes.

Q. For what period of time has the Agreement been extended?

A. It is my understanding that the Agreement will continue in effect until the earlier
of twenty-four hours after the receipt by MATR of written notice of the receipt by
WACMA of a modification to its existing Water Allocation Permit to increase
WACMA's daily water allocation available from PAWC or April 2, 2004.

Q. I assume that WACMA and MATR are continuing to operate under the 1983
Agreement as extended in the same manner as they have in the past.

A. Yes.

Q. Have you been involved in the negotiations between WACMA and MATR
concerning the possible extension or renewal of the 1983 Agreement?

A. Those negotiations have extended over a period of several years. Although I was
not the Chairman of WACMA when the negotiations were initiated, I was a
member of the Board and was involved in the negotiations. Since assuming the
Chairmanship of the Board, I have been actively involved in the negotiations and I

1 have worked closely with our engineer and solicitor concerning this important
2 matter.

3 Q. In your capacity as Chairman of WACMA, have you attended negotiating
4 meetings with representatives of MATR?

5 A. I have participated in most of the negotiating meetings with representatives of
6 MATR and have reviewed summaries of the meetings with MATR prepared by
7 our attorney or Secretary which are delivered to me in the regular course of my
8 duties as Chairman of the Board.

9 Q. Have you had an opportunity to review the direct testimony submitted by Mr.
10 Anthony Lenze, Executive Director of MATR?

11 A. I have read portions of his testimony.

12 Q. Are you aware that Mr. Lenze testified that the records of MATR indicated that
13 negotiations concerning the extension or renewal of the WACMA/MATR Water
14 Supply Agreement were initiated as early as May 4, 1998 by means of a letter
15 from MATR to WACMA?

16 A. I am aware of his testimony.

17 Q. Do you have an opinion as to why the negotiations between WACMA and MATR
18 extended over such a long period of time?

19 A. Although there were a number of issues to be resolved, I believe the primary
20 reason for the lengthy period of negotiations was the inability of WACMA and
21 MATR to reach agreement on two issues which were essential to WACMA,

1 namely the length of the contract and the minimum percentage of WACMA's total
2 water needs required to be purchased from MATR.

3 Q. What was the position of WACMA with respect to these issues?

4 A. From the very beginning, we made it plain to MATR that for a number of reasons
5 WACMA wanted a contract of no more than fifteen to twenty years in duration
6 and that the minimum purchase percentage should be less than the current 85%.
7 In fact, initially WACMA proposed a 50% minimum purchase percentage.

8 Q. How did WACMA arrive at its position with respect to these issues?

9 A. The position of the Board regarding these issues was based on WACMA's past
10 experience with MATR and our concerns regarding the ability of MATR to
11 contain its costs and the resulting cost-based rates over an extended period of time,
12 the ever increasing demand for water service within WACMA's service area, ,
13 WACMA's knowledge of the changing nature of the water supply business and
14 the advice of its engineer and solicitor.

15 Q. Are you aware that Mr. Lenze testified that after reviewing all of the
16 correspondence and notes pertaining to discussions between MATR and WACMA
17 with respect to the new Water Supply Agreement, MATR did not at any time
18 demand that it supply WACMA with 100% of WACMA's water needs nor more
19 than 85% of those needs?

20 A. Yes, I am aware of his testimony.

21 Q. Do you agree with Mr. Lenze's testimony on this point?

1 A. No. I know that early in the negotiations, MATR proposed that it provide 100%
2 of WACMA's needs.

3 (Whereupon Exhibit Morris-2 was
4 marked for identification.)

5 Q. I show you what has been marked for identification as Morris Exhibit 2. Are you
6 able to identify this document?

7 A. It is a copy of a letter dated March 11, 1999 from Richard M. Cosentino, who was
8 then the Executive Director of MATR, to Robert S. Owens, who was the Manager
9 of WACMA at that time.

10 Q. How did you come into possession of this letter?

11 A. It was contained in the WACMA files?

12 Q. What is the subject matter of the letter?

13 A. The letter sets forth MATR's position with respect to the proposed new Water
14 Supply Agreement between WACMA and MATR.

15 Q. Does the letter address the issue of minimum purchase requirements?

16 A. Yes. In paragraph 3, the letter provides and I am quoting "As you are aware the
17 present agreement requires WACMA to purchase a minimum of 85% of its water
18 needs from MATR until October, 2003. It would be our intention to preserve that
19 level of service with a possible expansion to 100% if feasible in a new agreement
20 for services."

21 Q. Did WACMA convey to MATR the Board's position with respect to these two
22 main issues?

1 A. Yes. WACMA's position was consistent in its correspondence and at the various
2 negotiating meetings with MATR that the term of the agreement could not exceed
3 twenty years and that the minimum purchase percentage from MATR should not
4 be more than a maximum of 75%.

5 Q. Did WACMA and MATR ever "break off" negotiations?

6 A. The parties continued to negotiate by means of exchanges of correspondence and
7 meetings in an attempt to reach agreement on the remaining open issues. While
8 there were some lengthy gaps between negotiating sessions and correspondence,
9 the negotiations continued into the year 2002.

10 Q. Was there ever a time when WACMA believed that it had reached agreement with
11 MATR on the essential issues?

12 A. Based on a letter from Mr. Lenze to me dated August 16, 2002 (Exhibit LENZE-
13 5) and a meeting on September 26, 2002 between representatives of WACMA and
14 representatives of MATR, WACMA believed an agreement in principal had been
15 reached on all of the essential issues. These included an agreed term of twenty
16 years and a minimum purchase obligation of 75% of WACMA's total
17 requirements as well as certain rate adjustment language.

18 Q. Did the parties take any action to progress the matter subsequent to the September
19 26 meeting?

20 A. The attorneys for WACMA and MATR began the process of drafting the new
21 service agreement. I know that our attorney provided the attorney for MATR with

1 draft language for certain portions of the agreement, including the rates and
2 charges section.

3 Q. What, if anything, happened to change the course of the negotiations?

4 A. On December 19, 2002, a meeting of representatives of WACMA and MATR was
5 held. WACMA believed that the purpose of the meeting was to discuss the final
6 language to be incorporated into the draft of the Water Supply Agreement to cover
7 the major issues agreed upon at the September 26, 2002 meeting and subsequently,
8 including a twenty year term for the new Agreement, a 75% minimum purchase
9 obligation and a rate adjustment provision reflecting the language proposed by
10 WACMA.

11 Q. What happened at the meeting?

12 A. MATR presented an entirely new proposal which identified certain major capital
13 improvements contemplated by MATR which were never discussed at the
14 September 26 meeting or prior to that meeting. At that point, MATR proposed
15 that the Agreement extend for a term of thirty years and that the minimum
16 purchase requirement be increased from 75% to 85% at some point shortly after
17 the new agreement would take effect. MATR did indicate that it was prepared to
18 accept the rate adjustment language proposed by WACMA.

19 Q. How did WACMA react to this latest development?

20 A. The WACMA representatives advised representatives of MATR that in view of
21 this completely unexpected and major change in MATR's position, it would be
22 necessary to review the matter with the WACMA Board members and its

1 consulting engineer and solicitor. MATR was advised that it should not expect a
2 response until the WACMA Board was able to take formal action at its January
3 meeting.

4 Q. What happened next?

5 A. The entire Board of WACMA met with its engineer and solicitor at its regular
6 meeting on January 21, 2003 to formally discuss the developments at the
7 December 19 meeting with MATR. After thoroughly discussing the matter, the
8 Board authorized me to advise MATR that WACMA was not willing to accept the
9 revised MATR proposals made at the December 19 meeting. I was specifically
10 instructed by the Board to emphasize that WACMA was still willing to proceed
11 based on its understanding of the agreement that was reached prior to the
12 December 19 meeting.

13 Q. I show you what has been marked for identification as Exhibit LENZE-6. Is this
14 a copy of your letter of January 29 to the Chairman of MATR?

15 A. Yes. I wrote this letter in accordance with instructions from the WACMA Board.

16 Q. Will you summarize the position of WACMA as conveyed to MATR in the letter?

17 A. WACMA advised MATR that it was not willing to extend the term of the new
18 Agreement for thirty years and to increase the minimum purchase obligation of
19 WACMA from 75% to 85% shortly after the new service agreement would take
20 effect. The letter also points out that this latest proposal is contrary to MATR's
21 letter of August 16, 2002 to WACMA, which I believe is Exhibit LENZE-5 in

1 which MATR accepted a twenty year term and agreed in principal to a 75%
2 minimum purchase obligation.

3 Q. Did WACMA terminate negotiations with MATR at this point?

4 A. No. As the Board instructed, I emphasized in my letter that WACMA was still
5 willing to proceed with the new agreement on the basis of a twenty year term and
6 75% minimum purchase obligation. In view of the time limitations that WACMA
7 was now facing, the letter requested that MATR advise WACMA by not later than
8 February 14, 2003 whether or not it is was willing to proceed on the basis outlined
9 in the letter.

10 Q. Did your letter raise the possibility of WACMA dealing with another water
11 supplier?

12 A. The last paragraph of my letter placed MATR on notice that if an agreement could
13 not be reached with MATR on the terms indicated, in the interests of its customers
14 WACMA would have to explore other long-term water supply sources.

15 Q. Did MATR respond to your letter of January 29, 2003?

16 A. Yes. I subsequently received from the Chairman of MATR a letter dated February
17 12, 2003.

18 Q. I show you what has been identified as Exhibit LENZE-7. Is this a copy of the
19 February 12, 2003 letter that you referred to?

20 A. Yes.

21 Q. Did MATR accept the WACMA proposal set forth in its January 29, 2003 letter?

1 A. No. With respect to the term of the Agreement, MATR did not accept the twenty
2 year proposal, but instead proposed a formula based on the term of its financing of
3 certain construction projects which, if undertaken, would have the effect of
4 extending the term beyond twenty years. With respect to the minimum purchase
5 requirements, MATR did not respond to WACMA's proposal except to state that
6 it believes that the parties can reach agreement on this matter "at our next
7 meeting".

8 Q. Mr. Lenze testified that MATR intended to accede to WACMA's request that the
9 minimum purchase requirement be reduced to 75% of WACMA's total water
10 needs. What is your reaction to that testimony?

11 A. If that were true, MATR could have agreed with our proposal in its February 12,
12 2003 letter which directly addressed that issue. In addition, MATR had repeated
13 opportunities during the course of the negotiations over a period of several years
14 to agree with WACMA on this point and did not to do so. In view of the past
15 history concerning this issue, WACMA did not believe that there was any point in
16 convening any further meetings.

17 Q. In view of these developments, what action did WACMA take?

18 A. Up until the December 19, 2002 meeting with MATR, the Board reasonably
19 believed that WACMA had reached an agreement with MATR on all essential
20 terms. At the meeting on January 21, 2003 the Board concluded that it was
21 necessary to seriously consider an alternative water supplier. Essentially, we were

1 in a crisis mode since at that time there were only approximately eight months
2 until the MATR contract was scheduled to terminate.

3 Q. Did you receive any specific instructions from the Board at this meeting?

4 A. I was instructed by the Board to promptly pursue negotiations with PAWC to
5 determine whether or not it would be feasible to enter into an acceptable Water
6 Supply Agreement.

7 Q. Prior to this time, what had been the relationship between WACMA and PAWC?

8 A. As you know, WACMA has had a business relationship with PAWC and its
9 predecessor for many years. From time to time during that period of time,
10 representatives of PAWC made overtures to WACMA concerning the possible
11 purchase of its utility system.

12 Q. Did WACMA ever seriously consider a sale to PAWC?

13 A. To the best of my knowledge, WACMA was not interested to selling to PAWC or
14 anyone else.

15 Q. Were there any discussions with representatives of PAWC concerning a new
16 Water Supply Agreement?

17 A. As a consequence of our ongoing relationship with PAWC, WACMA was
18 approached from time to time by representatives of PAWC who were interested in
19 expanding the volume of business with WACMA, particularly if WACMA was
20 not willing to sell its business.

21 Q. In connection with these solicitation efforts, did WACMA receive any written
22 proposals from PAWC?

1 A. Yes. I believe the earliest proposal was the letter from PAWC to the WACMA
2 Board in June of 2001.

3 (Whereupon Exhibit Morris-3 was
4 marked for identification.)

5 Q. I show you what has been marked for identification as Exhibit Morris 3 and ask
6 that you identify it.

7 A. This is a copy of a solicitation letter dated June 14, 2001 from PAWC to the
8 WACMA Board. I believe it is the first proposal received by WACMA from
9 PAWC. To the best of my knowledge, this proposal was not solicited by
10 WACMA.

11 Q. Did the WACMA Board seriously consider entering into a Water Supply
12 Agreement with PAWC prior to the termination of negotiations with MATR?

13 A. Up until the time that we realized that we would be unable to reach agreement
14 with MATR, I do not believe that the WACMA Board seriously contemplated
15 entering into an agreement with PAWC. However, the Board had some level of
16 comfort in knowing that there were two competitive companies vying for our
17 business and that PAWC was a possible viable "fall back" source of water supply.

18 Q. In the interim, did WACMA have discussions with PAWC concerning a Water
19 Supply Agreement?

20 A. As I have previously testified, our discussions with MATR extended over a
21 number of years. As the termination date of the Agreement with MATR
22 approached and we realized that we were not making progress with MATR on

1 certain of the essential issues that I have discussed, it was my personal opinion
2 that we should consider more seriously the interest of PAWC.

3 Q. At what point in time did you reach this opinion?

4 A. I believe it was during the latter half of 2002, when WACMA had approximately
5 one year remaining on its Agreement with MATR.

6 Q. Were you the person at WACMA who was involved in these early discussions?

7 A. Yes. Since I considered the discussions to be preliminary, I did not directly
8 involve the Board, except to keep them advised of my discussions.

9 Q. What was the result of these discussions?

10 A. Although I did not recall it at the time of my deposition, upon further
11 consideration, I believe that at some point in the latter part of 2002, I received
12 from PAWC drafts of a proposed Water Sales Agreement.

13 Q. At this time, was WACMA's consulting engineer or its attorney involved in the
14 PAWC discussions?

15 A. No. Because of the preliminary nature of these discussions and our ongoing
16 negotiations with MATR, I was not authorized by the Board to involve our
17 engineer and attorney.

18 Q. At this time in the latter half of 2002, was WACMA continuing to pursue a Water
19 Supply Contract with MATR?

20 A. As I have previously stated, the WACMA Board reasonably believed that we were
21 making progress with MATR and that based on the letter of August 16, 2002 from

1 MATR to WACMA and the meeting on September 26, 2002 an agreement had
2 been reached with MATR on all essential terms.

3 Q. What occurred to change your strategy with respect to negotiations with PAWC?

4 A. When MATR changed its position with respect to the essential issues which we
5 have been discussing at the meeting on December 19, WACMA realized that it
6 was facing a crisis situation in view of the imminent termination of its Water
7 Supply Agreement with MATR.

8 Q. At that point, what action did WACMA take?

9 A. As previously stated, I was instructed to begin serious negotiations with PAWC
10 concerning a new Water Supply Agreement.

11 Q. What action did you take pursuant to the Board's instructions?

12 A. I contacted either Bill Kelvington or Bernie Grundusky of PAWC. I advised
13 whomever I spoke to that I had been authorized by the WACMA Board to
14 accelerate our negotiations with PAWC looking to reaching agreement on a new
15 water supply contract. As a result of that telephone conversation, representatives
16 of WACMA and PAWC entered into intense negotiations.

17 Q. At this point, did the Board authorize its consulting engineer Mr. Nichols and its
18 attorney to become involved in the negotiations?

19 A. Yes. Our engineer and attorney then became actively involved in the negotiations.

20 Q. Did these negotiations result in an agreement between WACMA and PAWC?

21 A. Yes. At its Public Meeting on March 20, 2003, the WACMA Board voted
22 unanimously to enter into a Water Supply Agreement with PAWC.

1 Q. Is this the Agreement dated March 28, 2003 which has been marked for
2 identification as Exhibit LENZE-9?

3 A. Yes.

4 Q. What are the reasons for WACMA entering into the Agreement with PAWC?

5 A. First of all, WACMA was unable to negotiate a satisfactory agreement with
6 MATR, although it made a bona fide and long term attempt to do so. Second, the
7 terms and conditions of the proposal were satisfactory to WACMA. Finally, the
8 Agreement and the commitment by PAWC contemplates the construction of
9 substantial new equipment and facilities all of which will be financed by PAWC.

10 Q. What is the term of the Agreement?

11 A. The initial term is for fifteen years with annual renewals thereafter unless
12 terminated on six months notice by either party.

13 Q. What is the minimum purchase percentage?

14 A. Ninety percent of the total WACMA usage.

15 Q. Why was WACMA willing to agree to a 90% minimum percentage with PAWC
16 and was insisting on a 75% minimum percentage with MATR?

17 A. Based on our prior experience with MATR, we were legitimately concerned with
18 MATR's ability to contain its costs on a long term basis. This fact, coupled with
19 the cost based rate calculation provisions of the MATR contract, conceivably
20 could result in rate increases by MATR that would be prohibitive. On the other
21 hand, the rate provisions in the PAWC contract are subject to adjustment only as a
22 result of changes in the Consumer Price Index.

1 Q. What is the initial PAWC rate?

2 A. \$1.90/1000 gallons subject to an annual escalation factor based on the annual
3 increase in the Consumer Price Index for all urban consumers.

4 Q. Under the Agreement did PAWC commit to constructing certain facilities in
5 connection with the Water Sales Agreement?

6 A. Yes.

7 (Whereupon Exhibit Morris-4 was
8 marked for identification.)

9 Q. Will you please identify what has been marked for identification as Exhibit
10 Morris-4?

11 A. This is a copy of a letter of March 20, 2003 from Bernie Grundusky of PAWC to
12 me as Chairman of WACMA attached to which is a description of certain facilities
13 PAWC will install, operate, maintain and repair pursuant to the Water Sales
14 Agreement.

15 Q. Who will be responsible for the cost of these facilities?

16 A. Under the Agreement, PAWC is responsible for the total cost of these facilities.

17 Q. Has PAWC undertaken construction and installation of the facilities?

18 A. I understand that PAWC has made substantial progress in the construction of the
19 facilities, certain of which are completed with the balance being in various stages
20 of completion.

21 Q. In your opinion, were the rates and services proposed by MATR comparable to
22 those of PAWC?

1 A. Except for the unwillingness of MATR to meet WACMA's demands with respect
2 to the two essential issues addressed above, in my opinion the proposals of MATR
3 and PAWC are extremely competitive.

4 Q. Does this conclude your direct testimony?

5 A. Yes.

6

7 /28888

EXTENSION AGREEMENT

THIS EXTENSION AGREEMENT made and entered into this 16th day of OCTOBER 2003, by and between THE MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON, a municipal authority formed and existing pursuant to the Municipality Authorities Act of 1945, as amended, maintaining an office at 4192 Campbells Run Road, Robinson Township, Pennsylvania with a mailing address of P.O. Box 1539, Pittsburgh, Pennsylvania 15244 (hereinafter "MATR").

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WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY, a municipal authority formed and existing pursuant to the Municipality Authorities Act of 1945, as amended, maintaining an office and mailing address at 403 Virginia Drive, Oakdale, Pennsylvania 15071-9105 (hereinafter "WACMA").

WITNESSETH:

WHEREAS, MATR and WACMA entered into a certain Agreement dated October 20, 1983 ("Agreement"); and

WHEREAS, Section 4 of the Agreement provides in part that: "...this Agreement shall remain in full force and effect for a period of twenty (20) years following the execution of said document"; and

WHEREAS, the Agreement will thus expire on October 21, 2003; and

WHEREAS, WACMA currently has pending before the Pennsylvania Department of Environmental Protection ("Department") an Application for a Modification of an Existing Water Allocation Permit to increase WACMA's daily water allocation to be available from Pennsylvania-American Water Company ("PAWC") (the "Permit") and:

WHEREAS, the Department has not issued the Permit with respect to the Application;
and

WHEREAS, WACMA, by letters dated September 22, 2003, October 1, 2003 and October 3, 2003, has requested that MATR agree to an extension of the Agreement; and

WHEREAS, MATR is amenable to extending the Agreement on the terms and conditions more fully set forth herein.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and undertakings set forth herein and intending to be legally bound, hereby agree as follows:

1. The facts set forth in the foregoing preambles are acknowledged by the parties as true and correct.
2. The Agreement shall not terminate on October 21, 2003; but, rather shall continue in full force and effect until the first to occur of either: (a) 24 hours after receipt by MATR of written notice of receipt by WACMA of the Permit or (b) April 2, 2004.
3. This Extension Agreement shall not constitute or be construed to constitute a waiver by MATR of its rights to contest and to continue to contest: (a) the granting of the Permit by the Department or (b) the right of PAWC to provide water to WACMA pursuant to a certain Water Sales Agreement by and between PAWC and WACMA; nor shall this Extension Agreement be construed to constitute a waiver by WACMA of its rights to defend (a) the granting of the Permit by the Department or (b) the right of PAWC to provide water to WACMA

pursuant to a certain Water Sales Agreement by and between PAWC and WACMA.

4. This Extension Agreement shall not constitute or be construed to constitute a release or waiver of any right, privilege, claim, cause of action or defense either party to the Agreement may have against the other arising from the Agreement.
5. MATR and WACMA acknowledge that WACMA's average monthly water purchases from MATR have consistently averaged in excess of 30 million gallons since October 2001. MATR will attempt to continue to supply WACMA with water in amounts that equal or exceed 30 million gallons per month subject however to Section 3 of the Agreement.
6. This Extension Agreement sets forth all of the modifications to the Agreement intended by the parties and is not to be construed as changing any of the terms and conditions of the Agreement not specifically referred to herein.
7. Miscellaneous Provisions
 - (a) As used herein, the singular shall include the plural and the plural the singular and the word of any gender shall mean the proper gender where the context so requires.
 - (b) This Extension Agreement may be amended and the term extended only by a document in writing signed by the parties hereto.
 - (c) This Extension Agreement shall be construed according to the laws of the Commonwealth of Pennsylvania.
 - (d) The parties represent and warrant that they have full and complete authority to enter into this Extension Agreement, that they have entered into this Extension Agreement pursuant to the laws of the Commonwealth of Pennsylvania and that the person(s) executing this Extension Agreement on their behalf have been authorized to do so.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals by their indicated officers the day and year first above written.

ATTEST:

Kurt J. Lipe

THE MUNICIPAL AUTHORITY OF THE
TOWNSHIP OF ROBINSON

By: Anthony T. D'Amico
Title: Executive Director

ATTEST:

Satanth K. Reddy

WESTERN ALLEGHENY COUNTY
MUNICIPAL AUTHORITY

By: Philip W. Morgan
Title: Chairman

The Municipal Authority of the Township of Robinson

P.O. Box 15539 • Pittsburgh, Pennsylvania • 15244-0539
Phone: (412) 923-2411 • Fax: (412) 923-2347

March 11, 1999

Mr. Robert S. Owens, Manager
Western Allegheny County Municipal Authority
403 Virginia Avenue
Oakdale, Pennsylvania 15071-9105

RE: WACMA-MATR WATER SERVICE AND AGREEMENT

Dear Mr. Owens: *BOB*

It was a pleasure to meet with you yesterday to discuss our current relationship and the desire for a new agreement for water service.

MATR values WACMA as a bulk rate customer not just for the remaining years in the existing agreement but also for the future beyond given the growth and development potential that now is most evident in North Fayette Township. MATR's recent water plant expansion was predicated in large measure on our determination to fulfill the needs of your system as well as the neighboring FTWA.

As you are aware the present agreement requires WACMA to purchase a minimum of 85% of its water needs from MATR until October 2003. It would be our intention to preserve that level of service with a possible expansion to 100% if feasible in a new agreement for services. To that end the Authority is most receptive to another interconnect in the vicinity of the Park Manor - Montour Run Road intersection.

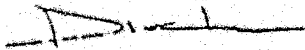
To reiterate the information we conveyed to you MATR now has three (3) interconnects with PA American Water Company, one (1) with Coraopolis, one (1) with Moon Township Municipal Authority and is in the planning stage with other entities to connect to the West View Water Authority (Neville Island) which in turn has an interconnection with the City of Pittsburgh Water & Sewer Authority.

The commitment by WACMA to MATR must be long term in order to be able to plan for future expansion needs and to meet your long-term water requirements. It would be helpful if you could provide realistic estimates of your five (5) to ten (10) year projected demands. Copies of your past five (5) years Annual Water Supply Reports would be helpful.

Mr. Robert Owens, Manager
WACMA
Page -2-

It is suggested that this matter be addressed by our respective Boards and the negotiations be initiated with the goal to consummate a new agreement within the next four (4) to six (6) months. If you have any questions or comments please contact me.

Sincerely,
The MUNICIPAL AUTHORITY of
the TOWNSHIP of ROBINSON



Richard M. Cosentino, P. E.
Executive Director

RMC/aek

cc: MATR Board Members
Raymond H. Antonelli, Sr., NIRA



Pennsylvania-American Water Company

300 West Hershey Park Drive • P.O. Box 388 • Hershey, PA 17033-0888
TEL 717-531-3212 • FAX 717-531-3214 • Email: cionnst0@pawc.com

Charles W. Ionnston
Vice President - Business Development

June 14, 2001

Board Members

Western Allegheny County Municipal Authority
403 Virginia Drive
Oakdale, PA 15071-9105

Dear Board Member:

Pennsylvania-American Water Company ("PAWC") is pleased to present its framework offer to sell water to the Western Allegheny County Municipal Authority's ("Authority") as follows:

- PAWC proposes to sell the Authority's 1,000,000 gallons of water per day under PAWC's demand based resale tariff at \$2.05 per thousand gallons.
- At its own expense, PAWC will permit, finance and construct, own, operate and maintain the facilities required to serve the Authority. These facilities include a booster station and approximately 3,000 feet of twelve and eight inch pipe.
- The proposed demand based contract will allow the Authority to exceed the maximum amount of 1,000,000 gallons per day on eighteen occasion per year in the event of emergency circumstances such as main breaks, fire events, or other problems.
- The contract requires that the Authority furnish PAWC documentation regarding its competitive alternative to purchasing water from PAWC, which would be contracts or offers from current water providers. This evidence is needed to support our pricing as being in the best interest and lowest cost option for both the Authority and PAWC customers.
- The proposed contract is non-transferable and non-assignable since PAWC is only able to verify the Authority's alternatives under its present ownership and operation.
- The contract would be for a minimum of ten years and would contain a pricing escalation clause that is pegged to published price indexes, which are negotiable.

EXHIBIT MORRIS-3



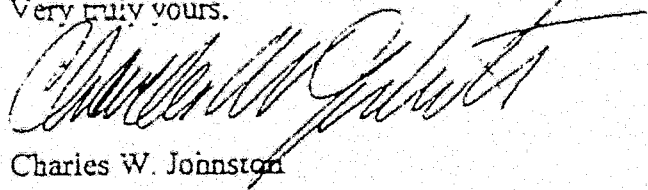
Pennsylvania-American Water Company is the proud recipient of the DIRECTORS AWARD issued by the US Environmental Protection Agency in behalf of the Partnership for Safe Water Program. The award recognizes our efforts to achieve excellence in water quality far beyond what is required by federal regulations. An EEO Employer M/F/H/V. Our commitment is crystal clear.



Water will be provided from PAWC's Hays Mine and Aldrich surface water filtration plants. Our Hays Mine and Aldrich plants have a combined capacity of 110.1 million gallons per day and an average usage of 74.5 million gallons per day. The plant provides carbon-filtered water, which meets or exceeds all state and federal drinking water standards. Additionally, both the Hays Mine and Aldrich plants have received Phase III certification in the EPA Partnership for Safe Water. This means that both plants surpass all current water quality regulations, produce the highest quality water as measured by state and federal guidelines and maintain the capability to treat high raw water turbidity levels. (See attached newspaper article).

We look forward to working with you to successfully conclude an agreement. Please call me at 717-531-3219 with any questions.

Very truly yours,



Charles W. Johnston

Enclosures

cc: William E. Keivington, Vice President-Operations, PAWC

News Release

Contact: Philip Cynar, Communications Manager
(412) 571-7721 / (888) 849-7825 (pager)
E-mail: pcynar@pawc.com

FOR IMMEDIATE RELEASE

PENNSYLVANIA-AMERICAN WATER COMPANY RECEIVES WATER QUALITY AWARD

*Associates from Two Water Treatment Plants Serving Pittsburgh's South Hills are Honored for
Hard Work and a High Quality Product*

[PITTSBURGH] March 23, 2000 - Associates at Pennsylvania-American Water Company's Hays Mine and E. H. Aldrich water treatment plants will receive a Director's Award of Recognition and a certificate of commendation this evening from the PA Department of Environmental Protection for successfully completing an in-depth program designed to enhance water quality.

This program, known as the *Partnership For Safe Water*, was developed by the U.S. EPA and other water supply organizations to protect water consumers from microbial contaminants, such as cryptosporidium. Participation in the program is voluntary.

Tom Vavansky, regional manager, water supply management for DEP's Southwestern Region and Dave Plank, chief of DEP's Technical Service Section, will present the award and certificate to Pennsylvania-American representatives tonight during a chamber mixer/reception for the Steel Valley Chamber of Commerce at the Duquesne Golf Club, West Mifflin. Pennsylvania-American is sponsoring the reception.

MORE

Partnership for Safe Water Award

"Pennsylvania-American Water Company has been a strong member of the Partnership. We recognize the company's efforts and commend it for maintaining a tradition of going above and beyond to supply their customers with high quality water," said Vayansky.

Citations from the Pennsylvania Senate and House--co-sponsored by Senators Albert V. Belan and Jay Costa Jr. and Representatives Harry A. Readshaw and Kenneth Ruifing--will be presented to the company by Mr. Ken Varhola, representing Senator Costa.

Other guests who will attend this reception to recognize Pennsylvania-American's achievement include Allegheny County Health Department officials, local elected officials, and business and community leaders from the Steel Valley, part of Pennsylvania-American's Pittsburgh service territory.

To qualify for the award, the company performed a rigorous and critical self-evaluation of operation and maintenance, facility design and personnel. The goal of this phase of the Partnership evaluation is to provide water that is far better than the quality required by federal and state laws.

This goal hinges on the parameter of *turbidity*, a measurement of water's clarity. The lower the number, the fewer particles that remain suspended in the water. These particles can harbor microscopic organisms such as cryptosporidium or giardia that can cause intestinal illnesses. The current state and federal standard for turbidity is 0.5 Nephelometric Turbidity Units (NTU). Pennsylvania-American's turbidity levels are 0.1 NTU or less.

"In terms of water quality, Pennsylvania-American's turbidity measurement is monumental," said John Watson, the company's operations manager - production. "It points to the fact that Pennsylvania-American is surpassing what the federal and state standards require for quality drinking water."

MORE

"I commend the hard work of the associates who manage the Hays Mine and E. H. Aldrich plants," said Pittsburgh Division Manager Deborah Lippert. "These associates are responsible for the successes we have achieved for our customers. Our commitment truly is to provide the highest quality drinking water and reliable service to all of the 500,000 people we serve in the Greater South Hills."

###

Pennsylvania-American Water Company, a subsidiary of American Water Works Company, Inc. (NYSE:AWK), is the largest regulated water company in the United States. The Company owns and operates 32 surface water filtration plants with a combined capacity of 332 million gallons of water per day. More than 7,700 miles of water transmission and distribution lines deliver high quality water to more than two million Pennsylvanians.

American Water Works Company, Inc. (NYSE:AWK), is the largest and most geographically diverse investor-owned water utility business in the United States. The Company's utility subsidiaries and affiliates now provide service to approximately 10 million people in 23 states.

###



Pennsylvania-American Water Company

300 West Hershey Park Drive • P.O. Box 888 • Hershey, PA 17033-0888

(717) 533-5000 • FAX: (717) 531-3252

March 20, 2003

Philip Morris, Chairman
Western Allegheny County Municipal Authority
403 Virginia Drive
Oakdale, PA 15071-9105

RE: Water Facilities to be installed by Pennsylvania-American Water Company, pursuant to Section 4.4 of the Water Sales Agreement between Western Allegheny County Municipal Authority and Pennsylvania-American Water Company.

Dear Phil:

Attached is a preliminary description of the facilities Pennsylvania-American Water Company ("PAWC") will install, own, operate, maintain, repair and, if necessary, relocate pursuant to Section 4.4 of the Water Sales Agreement. Upon completion of the installation of the facilities, PAWC will provide to Western Allegheny County Municipal Authority a final facilities description and the actual cost of said facilities.

Very truly yours,

Bernie Grundusky
Manager Business Development

Enclosure

Cc: William E. Kelvington, Vice President, PAWC
Susan Simms-Marsh, Corporate Counsel, PAWC
Ronald J. Brown, Solicitor, Western Allegheny County Municipal Authority

WA-343

Our commitment is crystal clear.*
An E.E.O. Employer M/F/H/V



EXHIBIT MORRIS-4

DESCRIPTION OF FACILITIES

1. - PAWC will design, permit and install in Collier Township along Pinkerton Road from Noblesstown Road approximately 2,250 LF of 12" ductile iron cement lined (DICL) waterline to the terminus of the Western Allegheny County Municipal Authority ("WACMA") 12" DICL waterline located at or near the municipal boundary line between Collier and North Fayette Township.

2. - PAWC will design, permit and install along Pinkerton Road at or as close as possible to the municipal boundary line between Collier and North Fayette Township a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system.

3. - PAWC will design, permit and install approximately 2,470 LF of 12" DICL waterline along Pinkerton Road in North Fayette Township from Gamble Road to Old McKee Road. The 12" DICL waterline will be installed by PAWC and will run parallel with the existing WACMA 6" waterline along this section of Pinkerton Road. The WACMA customers connected to existing WACMA 6" waterline along this section of Pinkerton Road shall remain customers of WACMA at all times during this Agreement. Any new services to be installed along this section of Pinkerton Road shall be installed by WACMA on the existing WACMA 6" waterline and shall be customers of WACMA.

4. - PAWC will design, permit, and install a booster station located along Pinkerton Road at a site on Pinkerton Road. PAWC will install the necessary suction and discharge piping, fittings, and valves to connect to the existing WACMA distribution system along Pinkerton Road in Allegheny County.

5. - PAWC will design, permit and install approximately 450 LF of 8" waterline beginning at the terminus of the existing PAWC 8" DICL waterline located at the intersection of McVey Avenue and Marshall Road in South Fayette Township to a connection with the WACMA distribution system located at the intersection of School (a.k.a Willow), Short and Mill Streets.

6. - PAWC will design, permit and install a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system. This vault will be located between the Panhandle Trail and School Street as close as possible to the municipal boundary line between South Fayette and North Fayette Township.

7. - PAWC will design, permit and construct approximately 14,000 feet of no less than 12" waterline beginning in Beech Hollow Road in Robinson Township, Washington County along Beech Hollow Road, Route 980, Beagle Club Road and the Monrour Rail to Trail. At or near the Washington / Allegheny County Boundary Line a waterline will be installed along a right of way(s) to the existing WACMA waterline along Seabright Road.

8. - PAWC will design, permit, and install a booster station and the necessary pipe, fittings, and valves to connect to the facilities outlined in section 7. The booster station is expected to be located at a site proximate to the boundary line between Robinson Township, Washington County and North Fayette Township, Allegheny County.

9. - PAWC will design, permit and install a meter vault along with all necessary pipe, fittings, valves, appurtenances, and meters to measure the quantity of water conveyed from PAWC to the WACMA system. This meter vault will be located proximate the municipal boundary line between Robinson Township, Washington County and North Fayette Township, Allegheny County.

10. - PAWC will design, permit and install, the necessary transmitters and related equipment and appurtenances at the WACMA distribution storage facilities on the Santiago and McKee storage tanks to control the operation of the PAWC booster stations as referenced in section 4 and 8 above.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON

Complainant-Petitioner,

v.

PENNSYLVANIA-AMERICAN
WATER COMPANY

Respondent.

DOCKETED

MAR 09 2004

Docket No. C-20030092

DOCUMENT
FOLDER

DIRECT TESTIMONY OF DAVID G. NICHOLS
FOR WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY
INTERVENOR

RECEIVED

2004 FEB 18 AM 9:54

SECRETARY'S BUREAU

John A. Vuono, Esq.
William A. Gray, Esq.
Attorneys for
Western Allegheny County
Municipal Authority
Intervenor

Of Counsel:

VUONO & GRAY, LLC
2310 Grant Building
Pittsburgh, PA 15219
(412) 471-1800
Due Date: November 17, 2003

WACMA EX-2
C-20030092
1-31-04
PITS
BAS

DIRECT TESTIMONY OF DAVID G. NICHOLS
FOR WESTERN ALLEGHENY COUNTY MUNICIPAL AUTHORITY

Q. Please state your full name.

A. David G. Nichols.

Q. By whom are you employed?

A. I am employed by Nichols & Slagle Engineering, Inc.

Q. Where are the offices of that company located?

A. 333 Rouser Road, Airport Office Park, Building 4, Suite 600, Moon Township,
PA 15108-2773.

Q. What is your position with Nichols & Slagle Engineering?

A. I am Principal Engineer for the company.

Q. What are your job duties as Principal Engineer?

A. I handle all design and construction surveillance of municipal projects for public
water and sewer authorities, attend client meetings and direct a multi-disciplined
technical staff.

Q. What type of projects are you involved in?

A. My project assignments include water transmission and distribution mains,
sanitary sewers, water storage facilities, treatment plant modifications, and related
operations programs.

Q. What is your educational background?

A. I received a Bachelor of Science degree in civil engineering (Cum Laude) from the
University of Pittsburgh in 1974. I did Master of Science course work in

1 environmental engineering at the University of Pittsburgh from 1975 through
2 1977.

3 Q. How long have you been a licensed professional engineer?

4 A. I have been a professional engineer in Pennsylvania from 1979 to the present. I
5 have also been a professional engineer in Ohio from 1982 to the present and in
6 West Virginia from 1985 to the present.

7 Q. To what professional organizations do you belong?

8 A. I belong to the Pennsylvania Municipal Authorities Association; American Society
9 of Civil Engineers; Pennsylvania Society of Professional Engineers; National
10 Society of Professional Engineers; Western Pennsylvania Water Pollution Control
11 Assoc.; Water Environment Federation; and American Waterworks Association.

12 Q. When you graduated from the University of Pittsburgh in 1974, where did you
13 begin working?

14 A. I began working at William J. Murdoch Engineers, Inc. in Pittsburgh, PA,
15 predecessor to Betz Converse Murdoch, Inc. and BCM Engineers, Inc. where I
16 was Assistant Engineer/Project Engineer/Manager.

17 Q. What were your duties at William J. Murdoch Engineers and its successor
18 companies?

19 A. I conducted all phases of project assignments for numerous municipal clients
20 involving comprehensive facilities planning; design of intakes, transmission
21 mains, storage reservoirs, pump stations, and treatment works; utility rate studies
22 and financing reports; administration of all phases of government grant and permit

1 programs; and construction surveillance of water and wastewater projects.

2 Starting in 1982, I was promoted to the Regional Manager of the office in
3 Pittsburgh where I managed all facets of the staff of civil engineers, sanitary
4 engineers, designers, draftsmen, environmental scientists, and clerical support. In
5 addition, I served as client contact attending municipal meetings and I was project
6 manager on a range of tasks involving water and wastewater management systems,
7 leachate pumping and storage facilities at landfills, subdivision reviews,
8 construction surveillance, permitting, detailed designs, technical reports, and
9 financing.

10 Q. How long did you work for Murdoch Engineers and its successor companies?

11 A. From May, 1974 to December, 1992.

12 Q. When was Nichols & Slagle Engineering, Inc. formed?

13 A. The company was formed in December, 1992 by Daniel Slagle and myself.

14 Q. Do you have an ownership interest in Nichols & Slagle Engineering, Inc.?

15 A. I am a 50% owner and a director of the company.

16 Q. Have you continued to be employed by Nichols & Slagle Engineering since
17 December, 1992?

18 A. Yes.

19 Q. Have you published various articles over the years in your area of expertise?

20 A. Yes.

21 Q. What articles have you published?

1 A. I jointly published an article in 1985 with T. G. May and B. J. Thompson entitled
2 "Financing Wastewater Systems", which was presented to the Pennsylvania
3 Department of Community Affairs, in Williamsport and Monroeville, PA. I also
4 jointly published an article in October, 1987 with D. B. Slagle entitled
5 "Development of an Affordable Wastewater System by Combining Alternate
6 Financing and Innovative Technology", which was presented at the 60th Annual
7 Conference of the Water Pollution Control Federal in Philadelphia and printed in
8 the U.S. Environmental Protection Agency's Small Flows, September 1988 and
9 the National Association of Towns and Townships (NAT&T's) Reporter,
10 December 1988 and the Pennsylvania Water Pollution Control Association
11 Magazine, January 1990. I also published an article in June, 1991 entitled
12 "Tapping Funds for Small Water Systems" which was printed in the American
13 City and County Magazine and reprinted by the Pennsylvania Rural Water
14 Association's Keystone Tap, February 1992. I also jointly published an article in
15 March 1988 with D. B. Slagle entitled "State Program Advises Small Water
16 Utilities" which was presented at the Annual Meeting of the Pennsylvania Chapter
17 of the American Waterworks Association and printed in American City & County
18 Magazine, June 1988.

19 Q. How long have you provided professional engineering services to WACMA?

20 A. I performed services for WACMA beginning in 1974, and have attended
21 WACMA's Board meetings since 1982. After we formed Nichols & Slagle in

1 December, 1992, I was appointed as the professional engineer for WACMA in
2 January, 1993.

3 Q. In your capacity as the professional engineer for WACMA, are you generally
4 familiar with the company's facilities, equipment and water supply operations?

5 A. Yes.

6 Q. Have you been authorized to testify in this proceeding in behalf of WACMA?

7 A. Yes.

8 Q. What is the most current map or drawing of the WACMA distribution system?

9 A. The 2003 Water Distribution Map of the entire WACMA distribution system
10 prepared by Nichols & Slagle Engineering, Inc. and bearing a Plot Date of April 1,
11 2003 is the most current map showing all points of connection and interconnection
12 by and between the WACMA system and all other entities that provide or could
13 provide water to WACMA. Those entities are MATR, Moon Township Municipal
14 Authority, Oakdale Borough, Findlay Township Water Authority, and
15 Pennsylvania American Water Company.

16 Q. Is this the same water distribution map that was attached to the direct testimony of
17 Raymond H. Antonelli, Sr. as Exhibit Antonelli - 1?

18 A. Yes.

19 Q. Did WACMA previously have two distinct water distribution systems?

20 A. Yes.

21 Q. When did WACMA begin operating a single, integrated water distribution
22 system?

1 A. The WACMA system has functioned as a single system since the Noblestown
2 Road-North Branch Road water line was constructed in 1998-1999.

3 Q. Why was the interconnection built?

4 A. The interconnection was built to improve reliability of service to a growing area in
5 North Fayette Township and to extend service to existing houses along
6 Whittengale Road.

7 Q. Did PAWC have any part in or knowledge concerning the construction of the
8 interconnect line?

9 A. No.

10 Q. MATR has suggested that WACMA has a "Primary System" and a "Secondary
11 System". Are these designations correct?

12 A. No. The "Primary System" and "Secondary System" designations are the
13 creations of MATR and are not relevant to the WACMA distribution system,
14 which is a single, integrated water distribution system.

15 Q. Were you involved in the negotiations for a new contract with MATR?

16 A. Yes.

17 Q. In your opinion, what caused the negotiations involving this contract to break
18 down?

19 A. It appeared that MATR and WACMA would be able to reach an agreement but
20 MATR, at a meeting on December 19, 2002, changed its position concerning two
21 significant issues, which involved the term of the contract and the minimum
22 percentage of water that WACMA would be required to purchase from MATR.

1 Q. What happened concerning the term of the contract?

2 A. MATR had agreed to a 20 year term for the new agreement and at the December
3 19, 2002 meeting, changed its proposal to a 30 year term for the new agreement.

4 Q. What about the minimum purchase obligation?

5 A. It was WACMA's position that the minimum purchase obligation should be
6 reduced from the 85% level stipulated in the 1982 agreement. After extensive
7 negotiations, WACMA and MATR had agreed in principal to a 75% minimum
8 purchase obligation. At the December 19, 2002 meeting, MATR took the position
9 that the minimum purchase requirement from WACMA be increased from 75% to
10 85% shortly after the effective date of the new agreement to assist with financing
11 capital improvements.

12 Q. What was the result of the change in terms by MATR involving these matters?

13 A. In my opinion, these changes in terms caused WACMA to reconsider the
14 likelihood of obtaining an acceptable agreement with MATR.

15 Q. What was the reaction of the WACMA representatives to MATR's position at the
16 December 19, 2002 meeting?

17 A. As I recall, the WACMA representatives were very surprised and frustrated with
18 the introduction of the totally new proposed provisions by the MATR
19 representatives without any notice in advance of the meeting on December 19,
20 2002. An extensive handout from MATR was distributed at that meeting
21 indicating that major capital improvements related to transmission mains and

1 treatment capacity at an estimated cost of \$9 million would increase the water
2 supply costs from MATR over the next ten years.

3 Q. Were you involved in the negotiations for a Water Supply Agreement between
4 PAWC and WACMA?

5 A. Yes.

6 Q. What was your role in the negotiation of the new Water Supply Agreement with
7 PAWC?

8 A. I discussed the benefits of the proposal including the proposed addition of three
9 new supply points, specifically on the eastern side of the WACMA system on
10 Pinkerton Run Road, on the southern side of the WACMA system on Mill Street,
11 and on the western side of the WACMA system on William Penn Highway; the
12 estimated cost savings due to the operating costs for new booster pumps by
13 PAWC; the added reliability of multiple supply sources with two modern PAWC
14 treatment plants; and the projected water purchase rate stability offered by
15 controlling cost increases according to the U. S. Department of Labor Consumer
16 Price Index.

17 Q. What are the benefits of the three new supply points to WACMA?

18 A. The current supplies from MATR and Moon Township Municipal Authority are
19 both located to the eastern portion of the WACMA system. Any major waterline
20 break along the William Penn Highway can interrupt the supply to the western
21 portions of the WACMA system and require complete reliance on the water
22 storage tanks until the mains are repaired. The proposed installation of the new

1 interconnections from PAWC will afford supplies into the WACMA system from
2 three sides that will improve the operational flexibility and reliability for years into
3 the future.

4 Q. Do you believe that PAWC will be able to meet WACMA's service needs?

5 A. Yes.

6 Q. Did you have occasion to compare the proposals of MATR and PAWC?

7 A. Yes.

8 Q. In your opinion, were the rates and services proposed by MATR comparable to
9 those of PAWC?

10 A. Except for the term and the minimum purchase obligation discussed above, in my
11 opinion the proposals of MATR and PAWC are competitive.

12 Q. Did you review the direct testimony of Raymond H. Antonelli, Sr., the President
13 of NIRA Consulting Engineers?

14 A. Yes.

15 Q. Do you take issue with any of the testimony of Mr. Antonelli?

16 A. Yes. For example, Mr. Antonelli states beginning at page 9, line 12, of his direct
17 testimony that MATR supplies water to WACMA via gravity connections from
18 MATR's Water Storage Facilities, that during periods of high demand within its
19 system WACMA must utilize its booster pumping stations in order to sustain
20 adequate water storage level and that WACMA can however continuously draw
21 water from MATR's system without the need to rely on its booster pump stations.
22 In fact, WACMA currently operates booster pumps continuously (75 to 80 percent

1 of each day) using the MATR supply in order to maintain adequate pressure for
2 customers in the higher elevations of North Fayette Township and fill its water
3 storage tanks.

4 Q. Mr. Antonelli, in his prepared testimony beginning at page 10, line 9 states that the
5 hydraulic gradient of the PAWC System in the WACMA/Robinson Service Area
6 is not capable of supplying water to WACMA without the need to continuously
7 pump into the WACMA System. Do you agree with his statement?

8 A. No. The PAWC system is capable of supplying water into portions of the
9 WACMA system without pumping and could transfer limited volumes into the
10 WACMA tanks.

11 Q. Did you read the prepared testimony of Anthony Thomas Lenze, the Executive
12 Director of MATR?

13 A. Yes.

14 Q. Do you disagree with some of the factual statements made by Mr. Lenze?

15 A. Yes.

16 Q. Specifically, do you disagree with Mr. Lenze's statement at page 17 of his direct
17 testimony that MATR never at any time demanded that it supply WACMA with
18 all of WACMA's water needs?

19 A. Yes. I disagree with that statement.

20 Q. Why?

21 A. It should be noted that in MATR's letter dated March 11, 1999 to WACMA,
22 which is Exhibit Morris-2, it is stated: "It would be our intention to preserve that

1 level of service with a possible expansion to 100% if feasible in a new agreement

2 for services."

3 Q. Does this conclude your direct testimony?

4 A. Yes.

5 /28898

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Municipal Authority of the
Township of Robinson

v.

Pennsylvania-American Water Company

Pennsylvania Municipal Authorities Association,
Intervenor

DOCKETED
MAR 09 2004

C-20030092

**DOCUMENT
FOLDER**

INTERIM EMERGENCY ORDER

This interim order denies a petition for an interim emergency order which the Municipal Authority of the Township of Robinson (MATR) filed on February 12, 2004.

History

Under a 1983 water supply agreement which expired on October 21, 2003 (the 1983 Agreement), the Western Allegheny County Municipal Authority (WACMA) purchased most of its water from MATR. On March 28, 2003, WACMA entered into a water supply agreement with Pennsylvania-American Water Company (PAWC) to purchase most of its water from PAWC (the 2003 Agreement). On April 15, 2003, MATR filed a complaint asking the Commission to void the 2003 Agreement, asserting that it constitutes an unlawful exercise of PAWC's tariff Rider DRS-Demand Based Resale Service (Rider DRS). Consummation of the 2003 Agreement was conditioned upon the receipt of all necessary permits and approvals from the Pennsylvania Department of Environmental Protection (DEP). On October 16, 2003, before the 1983 Agreement expired, WACMA and MATR entered into an agreement extending the term of the 1983 Agreement until the earlier of (1) 24 hours after MATR receives written notice

from WACMA that its Water Allocation Permit has been modified to increase WACMA's daily water allocation available from PAWC or (2) April 2, 2004.

On January 21, 2004, the Commission held a hearing on MATR's complaint. The parties will file main briefs on March 15 and reply briefs on April 2, 2004.

On February 3, 2004, DEP issued the water allocation and public water supply permits required under Section 4.8 of the 2003 Agreement. On February 4, 2004, PAWC began to provide water to WACMA under the terms of the 2003 Agreement.

On February 12, 2004, MATR filed a Petition for Interim Emergency Order (Petition) asking that the sale of water by PAWC to WACMA under the 2003 Agreement be barred until the Commission enters a final order in this proceeding. On February 17, 2004, PAWC filed an answer to MATR's Petition.¹

On February 17, 2004, the Commission held a hearing pursuant to Section 3.9 of the Commission's procedural rules² which requires that no interim emergency order may be issued until the presiding officer holds a hearing on the merits of the petition within 10 days of receipt of the petition. At the hearing the parties entered into the following stipulations:

- The record taken at the January 21, 2004 hearing is part of the record for the purpose of considering MATR's petition.
- MATR received a letter³ from WACMA dated February 4, 2004 which advised MATR that WACMA received information that the issuance of the water allocation permit authorizing WACMA to purchase water from PAWC and the water supply permit authorizing PAWC to connect its facilities to the WACMA system were imminent and

¹ The Commission's procedural rules at 52 Pa. Code §3.6(b) provide that an answer to a petition for an interim emergency order is not required (because an allegation contained in such a petition is deemed to have been denied by opposing parties), but allows a participant to file an answer if desired.

² 52 Pa. Code §3.9.

³ The letter was identified as MATR Ex. 15 and admitted into the record.

that WACMA and PAWC were beginning the process of transferring receipt of water from MATR's facilities to PAWC's facilities beginning that day. Tr. 143-144.

- PAWC replaced MATR as WACMA's primary water supplier, providing WACMA's water needs pursuant to the 2003 Agreement at the contract rate which is \$1.90 per 1000 gallons of water. Initially, PAWC supplied in excess of 50 percent of its supply of water, and more recently closer to 65 percent of its supply of water as the amount supplied increases to contractual levels. Tr. 142-143.
- The rate MATR had been charging WACMA for water under the terms of the extended 1983 Agreement, which became effective December 15, 2003, was \$2.51 per 1000 gallons. Under the 1983 Agreement the rate had been \$2.18 per 1000 gallons. Tr. 174-176.⁴
- At the time MATR filed the complaint under question, PAWC's sale for resale rate was \$3.92 per 1000 gallons, which rate might or might not have changed as a result of the approved stipulation regarding cost of service and rate design regarding PAWC's base rate case, the rates for which became effective in January 2004. Tr. 176-177.

In addition, MATR submitted a summary of its debt service obligations from December 15, 2002 until May 15, 2021.⁵ PAWC submitted five water allocation permits which DEP issued.⁶

Witnesses did not testify at the hearing. Instead, counsel for the parties gave oral argument in support of their positions. The record of the proceeding consists of the record made at the January 21, 2004 hearing (which the parties incorporated by reference), the above-

⁴ This stipulation was made subject to check. By letter dated February 17, 2004, counsel for WACMA confirmed the figures.

⁵ The debt service summary was identified as MATR Ex. 16 and admitted into the record.

⁶ The water allocation permits were identified as PAWC Exs. 4, 4-A, 4-B, 4-C and 4-D and admitted into the record.

mentioned exhibits and a 46-page transcription of the notes of testimony.⁷ The parties did not file briefs.

Discussion

The issuance of interim emergency orders is governed by Section 3.7 of the Commission's procedural regulations⁸ which reads as follows:

§ 3.7. Issuance of interim emergency orders.

(a) A presiding officer may issue an interim emergency order upon finding that the following exist:

- (1) The petitioner's right to relief is clear.
- (2) The need for relief is immediate.
- (3) The injury would be irreparable if relief is not granted.

(4) The relief requested is not injurious to the public interest.

(b) An order granting or denying interim emergency relief will be issued within 15 days of receipt of the petition.

(c) An interim emergency order or an order denying interim emergency relief shall be served as expeditiously as practicable on the participants.

These prerequisites for the issuance of an interim emergency order are cumulative. All of them must be met and the failure of a petitioner to prove any of them results in the denial of the relief.⁹

The four findings required by Section 3.7(a) are discussed in the order in which they appear above.

⁷ Pages 137-179.

⁸ 52 Pa. Code §3.7.

⁹ Id. at §3.7(a); *Levnard v. Thornburgh*, 463 A.2d 77 (Pa. Cmwlth. Ct. 1983).

Whether MATR's right to relief is clear

MATR contends that it made a prima facie case that PAWC's sale of water to WACMA under Rider DRS¹⁰ is illegal. It argues that when approved by the Commission, Rider DRS was, and still is, to be used to retain a customer threatening to leave PAWC and not to attract new load except in a limited sense. Tr. 157, 166-167. PAWC responds that evidence at the January 31, 2004 hearing makes it clear that the parties to the Commission proceeding which resulted in Rider DRS being approved anticipated that Rider DRS would be used to retain load, the situation here, and to attract load, which is arguably also the situation here. Tr. 161. On direct, PAWC witness Mr. Stoudt testified that one of the costs to be covered by the minimum rate under Rider DRS is the cost of new facilities, and, therefore, if Rider DRS was intended to be used only to retain existing load, it would not need to install new facilities. Tr. 171.

Whether PAWC applied Rider DRS properly is the ultimate issue before the Commission. The case on the merits is in the briefing stage. At this point MATR's right to relief is not clear.

MATR argues the Commission must pre-approve the 2003 Agreement and has not done so. It relies on paragraph 4.6 of the 2003 Agreement¹¹ which states that "[t]he parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PA PUC to the extent such approval is required" and paragraph 24.1 of the 2003 Agreement which provides that the 2003 Agreement "shall be filed with the Pennsylvania Public Utility Commission (PUC) and is subject to review by the PUC." Tr. 168-169. Paragraph 4.6 of the 2003 Agreement states, however, that its consummation "is conditioned upon receiving approval from the PA PUC to the extent such approval is required." The emphasized language does not mean the Commission must pre-approve the 2003 Agreement and MATR has pointed to nothing which would require such a pre-approval. Similarly, Paragraph 24.1 of the 2003 Agreement does not require Commission pre-approval of the agreement. That paragraph states that agreement shall be filed with the Commission and is

¹⁰ The transcript references to "DLS" are in error. The reader should replace these references with "DRS."

¹¹ The 2003 Agreement is MATR Ex. 9 (Lenze) of the record taken at the January 21, 2004 hearing.

subject to review by the Commission. In addition, in paragraph 24.2 of the 2003 Agreement, WACMA represents and warrants that the agreement does not require the approval of any governmental agency. Tr. 172-173. Finally, the 2003 Agreement was filed with the Commission, but its being subject to review does not mean that the Commission must pre-approve it. The Commission's discussion of PAWC's Rider DRS proposal in the 1994-95 base rate proceeding does not mention the need for Commission pre-approval.¹²

I conclude that PAWC did not need Commission approval of the 2003 Agreement before it began serving WACMA.

As noted, I conclude that MATR's right to relief is not clear. Although the failure to prove one of the prerequisites to interim emergency relief requires a denial of the relief, I discuss below the other prerequisites for the purposes of completeness.

Whether MATR's need for relief is immediate

The term "emergency" is defined in 52 Pa. Code §3.1 as follows:

Emergency – A situation which presents a clear and present danger to life or property or which is uncontested and requires action prior to the next scheduled public meeting.

PAWC points out that MATR's complaint contained a request for injunctive relief but that MATR waited over ten months to file its petition for interim emergency relief. Tr. 162. MATR responds that its complaint requested an injunction barring PAWC from constructing any facilities regarding the contested service. It adds that at that point it did not contest PAWC's position that the Commission cannot stop PAWC from constructing whatever facilities it wishes to construct. MATR adds that when it filed its complaint it could not have requested the relief it seeks now because at that time the 1983 Agreement was still in effect. It filed its petition shortly after the 1983 Agreement expired. Tr. 167.

¹² See 85 Pa. PUC 13, at 45-47.

The wherefore clause in MATR's complaint reads as follows:

WHEREFORE, MATR requests this Commission to enter an Order prohibiting PAWC from commencing service to WACMA pursuant to the PAWC agreement, or constructing any facilities with respect to such service.

PAWC's service of water to WACMA under the 2003 Agreement began on February 4, 2004. MATR filed its petition on February 12, 2004.

When it filed its complaint MATR did ask the Commission to prohibit PAWC from commencing service to WACMA under the terms of the 2003 Agreement and its petition asks for the same relief. While it can be argued that MATR slept on its rights, it appears that MATR's need for relief is immediate because it is no longer serving WACMA and PAWC is. As discussed above, however, MATR has not shown that its right to relief is clear. Not meeting one of the criteria for an interim emergency order is fatal to MATR's petition.

Whether the injury to MATR would be irreparable if its requested relief is not granted

MATR maintains that if it is successful on the merits, it would be irreparably harmed if emergency relief is not granted because it will lose the revenue it would receive by continuing to sell water to WACMA and would be unable to recover the revenue, under any cause of action, from PAWC or WACMA. Tr. 157. It cites *West Penn Power Company v. Pennsylvania Public Utility Commission et al.*, 615 A.2d 951 (1992) for the proposition that economic injury that cannot be recovered can satisfy the irreparable harm requirement. MATR also relies on *Pennsylvania Public Utility Commission v. Israel*, 356 Pa. 400, 52 A.2d 317, 1947 Pa. LEXIS 355 (1947), stating that "Furthermore, PAWC's illegal use of its tariff constitutes 'irreparable injury of the most serious nature and [is] a proper subject of a preliminary injunction.'" *Israel*, 52 A.2d at 321.

Israel is not applicable here. The question before the Court in *Israel* was whether the Court should grant a preliminary injunction restraining the defendants, who had no certificates of public convenience, from transporting passengers in taxicabs, within Pennsylvania, for compensation, when the funds received for the transportation are obtained as a "donation or tip" and not by a fixed charge. The Court determined that "the evidence shows, and additional cases heard by us indicate, that the number of people operating taxicabs unlawfully in Philadelphia is increasing since the defendants started their method of operation. Spreading unlawful conduct is irreparable injury of the most serious nature, and a proper subject for preliminary injunction." *Id.* In *Israel*, the Commission made a prima facie showing that the defendants were operating taxicabs in violation of law. Here, whether PAWC is applying its tariff unlawfully is the ultimate issue under consideration.

It appears that MATR would be unable to recover the losses from either PAWC or WACMA. MATR argues that economic injury can satisfy the irreparable harm requirement, and PAWC argues that it is not necessarily injurious for a business enterprise to encounter competition in its field.¹³ I agree with PAWC. In addition, the prospect of MATR prevailing on the merits is in doubt.

I cannot conclude that the injury to MATR would be irreparable if the relief it requests is not granted. MATR has not met this third prerequisite for the granting of an interim emergency order.

Whether the relief requested is not injurious to the public interest

MATR asserts that the relief it requests in its petition is not injurious to the public interest and that the public interest will be harmed if an unlawful rate is permitted to be charged. According to MATR, it would have to increase its rates by about 30 percent because of the loss of WACMA as a customer, solely because of the illegal use of Rider DRS. MATR would not ask the Commission to restrain PAWC's sale of water to WACMA under PAWC's tariff rate of

¹³ Relying on *Brinks, Incorporated v. Pennsylvania Public Utility Commission*, 1982 Pa. Commw. LEXIS 1264 (1982).

\$3.92 per thousand gallons, but does contest the sale at the discounted Rider DRS rate (\$1.90 per thousand gallons). MATR adds that the lack of a currently effective contract for it to sell water to WACMA does not preclude the relief it seeks because it is in the business of selling water and does not need a written agreement to do so. Furthermore, MATR opines that if the Commission determines that the application of Rider DRS is illegal WACMA's ratepayers would be subject to a surcharge because they will have been receiving water at a discriminatory rate. Tr. 158-160.

PAWC doubts that MATR would have to raise its rates by 30 percent if it loses WACMA as a customer because MATR's most recent annual consulting report shows that its annual debt service is anticipated to decline by over one million dollars during the next fiscal year which begins on July 1, 2004. Tr. 151; PAWC Ex. 5. MATR counters by noting that the decline in debt service for fiscal year 2004-2005 is temporary and rises for the next two fiscal years. Tr. 151-152; MATR Ex. 16.

PAWC also points out that MATR's petition focuses only on the economic consequences to and does not consider the economic implications to PAWC and WACMA. WACMA is currently receiving safe, reliable service from PAWC at a rate below what it had been paying MATR. WACMA would end up paying more if it had to revert to the contract rate it was paying MATR before February 4, 2004 and PAWC would lose the revenues MATR would gain. This would be injurious to the interests of WACMA and PAWC. Tr. 162-163. Furthermore, MATR's position that it would not ask the Commission to restrain PAWC's sale of water to WACMA under PAWC's tariff rate of \$3.92 is not credible in light of MATR's petition and would not address MATR's concern about irreparable harm. Counsel for PAWC points out that if PAWC were forced to sell water at the higher rate, it might "force WACMA back into Robinson's arms, which I suspect is what this is all about." Tr. 170.

The relief MATR requests would not be injurious to the public insofar as the public includes its interests. In addition, MATR's customers will be at a disadvantage if MATR passes lost fixed costs through to them. Granting the relief MATR requests, however, would be injurious to the public insofar as the public includes the interests of PAWC and WACMA. In addition, PAWC's customers would lose the advantage of their share of PAWC's fixed costs

being spread over a larger customer base and WACMA's customers would lose the advantage of WACMA passing the lower costs of its water supply through to them.

I cannot conclude, therefore, that the relief MATR requests would not be injurious to the public. MATR has not met its burden of proving this fourth prerequisite for the issuance of an interim emergency order.

Conclusion

MATR has not met the first, third and fourth prerequisites for the issuance of an interim emergency order. Accordingly, the order below denies MATR's petition.

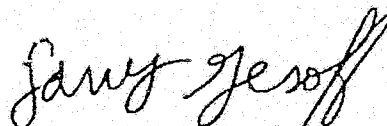
Pursuant to 52 Pa. Code §3.10 (relating to Commission review of interim emergency orders), I have issued a separate order certifying the question of the denial of the relief MATR requests to the Commission as a material question in the form set forth in 52 Pa. Code §5.305 (relating to interlocutory review of a material question submitted by a presiding officer). This order has been served on the parties by U.S. mail and electronic mail.

THEREFORE;

IT IS ORDERED:

That the petition of the Municipal Authority of the Township of Robinson for an interim order prohibiting the sale of water from Pennsylvania-American Water Company to the Western Allegheny County Municipal Authority is denied.

Date: February 19, 2004



Larry Gesoff
Administrative Law Judge

SERVICE LIST: C-20030092

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COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

-----X
Municipal Authority of the Township :
of Robinson vs. Pennsylvania-American :Docket No.
Water Company. For the Commission to :C-20030092
 enter an order prohibiting Pennsylvania- :
 American Water Company from commencing :
 service to Western Allegheny County :
 Municipal Authority pursuant to the :
 Pennsylvslvania-American Water Company :
 Agreement or constructing any facilities :
 with respect to such service. :
 :
 Telephonic Hearing on Petition for :
 Interim Emergency Order. :
 -----X

Pages 137 through 179

Hearing Room 2
 State Office Building
 Pittsburgh, Pennsylvania

DOCKETED
 MAR 09 2004

Tuesday, February 17, 2004

Met, pursuant to notice, at 10:00 a.m.

BEFORE:

LARRY GESOFF, Administrative Law Judge

APPEARANCES:

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 (For MATR) (By telephone)

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Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

EXHIBITS INDEX

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P R O C E E D I N G

ADMINISTRATIVE LAW JUDGE LARRY GESOFF: Let's go on the Record. This is the time and place set by the Pennsylvania Public Utility Commission for a hearing on request for an emergency order which was filed by the Municipal Authority of the Township of Robinson and the matter is captioned as Municipal Authority of Robinson against Pennsylvania-American Water Company at Docket No. C-20030092. I'm Larry Gesoff, the Administrative Law Judge assigned to this proceeding and I note the appearance of Albert J. Zangrilli, Jr., on behalf of MATR, of Thomas Gadsden on behalf of Pennsylvania-American Water Company, also with him is John A. Pillar and John A. Vuono.

MR. PILLAR: This is Mr. Pillar.

JUDGE GESOFF: Yes.

MR. PILLAR: I'm representing the Robinson Township Authority with Mr. Zangrilli.

JUDGE GESOFF: Sorry. And Mr. Vuono is for the intervenor Western Allegheny County Municipal Authority, otherwise known as WACMA. Okay.

Also present in the hearing room -- this is a telephonic hearing -- along with the Court Reporter is a news reporter from KQV radio. Okay.

I think we can start, before we get to arguments,

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1 with what we're going to put into the Record today.
2 There's one stipulation that MATR is ready to make and
3 that is that Pennsylvania-American Water Company has
4 replaced MATR as WACMA's primary water supplier
5 providing WACMA's water needs pursuant to the March 28,
6 2003, order at the contract rate of \$1.90 per one
7 thousand gallons of water, and that was suggested by
8 Mr. Zangrilli.

9 Mr. Gadsden, any objections to that?

10 MR. GADSDEN: I don't think I have any
11 objection to it. By way of clarification, I guess I'm
12 only troubled by the use of the word primary because
13 that obviously can mean different things to different
14 people, but my understanding is that certainly for the
15 last week or so we have been providing in excess of 50
16 percent and more recently closer to 65 percent of
17 WACMA's water needs.

18 JUDGE GESOFF: Okay.

19 MR. VUONO: This is Vuono, and I reiterate
20 that we're in the process of a transition and I don't
21 disagree with the stipulation, but it's not a fait
22 accompli at this point.

23 JUDGE GESOFF: You're saying that the
24 percentage might increase as the contract extends, if
25 indeed, it does?

1 MR. VUONO: That's right.

2 JUDGE GESOFF: All right. Well, we're going
3 to stipulate to that then. Now, the other stipulation
4 was -- let's see. I'm just juggling some papers here.
5 Bear with me.

6 Okay. Mr. Gadsden wants to stipulate that WACMA
7 provided MATR with written notice on or about February
8 4, 2004, of the receipt of DEP permits. Mr. Zangrilli
9 in his E mail responded that it would not stipulate to
10 that but would stipulate that it received a letter from
11 WACMA dated February 4, 2004, if the letter itself is
12 admitted into evidence and he states the letter speaks
13 for itself. Mr. Gadsden.

14 MR. GADSDEN: I'm fine as long as -- with
15 what Mr. Zangrilli has stated as long as the letter
16 itself is moved into evidence.

17 JUDGE GESOFF: But I don't have a copy of it
18 here.

19 MR. GADSDEN: Right. I have a -- I was
20 searching around over the weekend for a FAX copy. I
21 think Mr. Vuono has a copy and can get it over to you.

22 MR. VUONO: I have before me a copy of the
23 February 4 letter.

24 JUDGE GESOFF: All right. Here's my FAX
25 number. I want it FAXed right away. (412) 565-5692.

1 everyone say your name before you talk -- I should have
2 mentioned that ahead of time -- so the Court Reporter
3 knows who to ascribe your remarks to.

4 Okay. Now, Mr. Gadsden is requesting that the
5 five water allocation permits issued to WACMA on
6 February 3 by DEP be made part of the Record. Mr.
7 Zangrilli sent me four of them. What I have is -- and
8 I'm just going by the order they're stapled together
9 here -- WA2-1006B and that looks like it's Moon
10 Township Municipal Authority, and then there's
11 WA2-1006C, which is Findlay Township Water Authority,
12 WA2-10006D, which is Borough of Oakdale, and WA2-1006,
13 which is Pennsylvania-American Water Company. So I
14 only have four.

15 MR. ZANGRILLI: Al Zangrilli speaking.
16 Permit number WA2-1006A is the water allocation permit
17 issued to MATR and I think that's all I FAXed were the
18 four. One, two, three --

19 JUDGE GESOFF: Yes, I have four. What I was
20 referring to, Mr. Zangrilli, was that Mr. Gadsden asked
21 that five of them be in the record. Was there another
22 one, Mr. Gadsden, that I did not identify?

23 MR. ZANGRILLI: You didn't identify
24 WA2-1006A.

25 JUDGE GESOFF: Yes, I know. I don't have

1 identify -- let's see, these are coming in as PAWC
2 Exhibits. What number are we up to on yours, Mr.
3 Gadsden?

4 MR. GADSDEN: Well, I think we skipped over
5 1 and 2. I think the only Exhibit we have is 3A, so
6 you can make it 4A or 3B, whatever you would like.

7 JUDGE GESOFF: Just a second. Yes. You
8 ended up with 3A; right?

9 MR. GADSDEN: Right.

10 JUDGE GESOFF: Okay. So let's make this --
11 well, how about this, if we make Exhibit 4 permit 1006
12 and then 4A would be 1006A, 4B and so on; how is that?

13 MR. GADSDEN: Fine.

14 JUDGE GESOFF: Okay. So, PAWC Exhibit 4
15 will be the DEP permit issued to PAWC and then 4A will
16 be the permit issued to MATR, 4B the permit issued to
17 Moon Township Municipal Authority, 4C, the permit
18 issued to Findlay Township Water Authority and 4D the
19 permit issued to the Borough of Oakdale. They are
20 admitted into the Record.

21 Okay. Let's go on to the next item and that is
22 the annual consulting engineer's report for the
23 operating year June 30, '02, to June 30, '03, and
24 budget for fiscal year ending June 30, '04, and that
25 apparently is provided -- prepared by Mr. Antonelli of

1 MATR and provided to PAWC in response to PAWC
2 Interrogatory Set 1 No. 3. I don't have that.

3 Is that in -- that's not in the record; right?

4 MR. GADSDEN: It is not.

5 JUDGE GESOFF: So how am I going to get
6 that?

7 MR. GADSDEN: Well, it is -- I can FAX the
8 entire thing to you. It is about a 20 -- with the
9 cover page and introduction, it is about a 25-page
10 document. For our purposes, the relevant paragraph is
11 actually on page 22 and it is the information contained
12 in that paragraph that we have cited in footnote 2 of
13 our Answer to the petition for interim emergency order
14 for which Mr. Antonelli notes that debt service for
15 Robinson Township is expected to decline by over a
16 million dollars beginning with their next fiscal year,
17 July 1, 2004. I can FAX page 22, I can FAX the entire
18 thing, whatever you would like.

19 JUDGE GESOFF: Well, for my purpose, 22 is
20 okay, if its okay with everyone else.

21 MR. GADSDEN: All right. Let me --

22 JUDGE GESOFF: Well, I haven't heard from
23 everyone else.

24 MR. GADSDEN: If you can give me one minute
25 I'll go out and have my secretary FAX to you the cover

1 that.

2 JUDGE GESOFF: That's okay. I'm just
3 marking the first Exhibit here, MATR Exhibit 15, that's
4 the letter, which we have got copies of. Let me look
5 at it for a second. All right. Okay.

6 Is there anything else we need to do as far as
7 stipulations or Exhibits before we start argument?

8 (Whereupon, the document was marked
9 as MATR Exhibit No. 15 for
10 identification and was received in
11 evidence.)

12 MR. ZANGRILLI: This is Al Zangrilli
13 speaking. With respect to PAWC Exhibit 5, I would like
14 to ask for an offer of proof.

15 JUDGE GESOFF: Okay. Go ahead, Mr. Gadsden.

16 MR. GADSDEN: Yes, Your Honor. I think I
17 outlined in general why we think it is important to get
18 that in, but in any event, in paragraph 18(c) of
19 Robinson Township's motion it states that MATR will be
20 required to increase its rates by approximately 30
21 percent chiefly because of the loss of WACMA as a
22 customer.

23 As we indicate in our Answer, we don't believe
24 that there's any credible evidentiary support to that
25 assertion. We note that we Cross-Examined Mr.

1 Antonelli, who presumably -- not presumably, who
2 indicated he had prepared the analysis on which Mr.
3 Lenze had relied and it pointed out a number of
4 discrepancies and flaws in his analysis.

5 The relevance of the page from WACMA's -- not
6 WACMA's but Robinson Township's most recent annual
7 consulting report is that at the conclusion of that
8 report it indicates that Robinson Township anticipates
9 that it's annual debt service, which is the cost of
10 financing plant additions, is anticipated to decline by
11 well over a million -- over a million dollars during
12 the next fiscal year, which begins July 1, and in light
13 of that, we think that it is probable that Robinson
14 Township would require, for that matter even
15 contemplate a rate increase either at the conclusion of
16 this case or more germane to the motion before you,
17 that they would consider a three-month or four-month
18 interim rate increase, so that's why we think it is
19 important.

20 MR. ZANGRILLI: Your Honor, Al Zangrilli.
21 In response to that, the debt service under long-term
22 financing, or better put a single year of a repayment
23 schedule under long-term financing is irrelevant to
24 prove that point. These repayments are frequently not
25 level and, in fact, that particular year happens to be

1 a downward spike and an unusual downward spike because
2 in July of 2004, our debt service is 2.7 million and in
3 July, 2005, the following year, it's 2.7 million. So
4 that aberration in the repayment is not relevant to our
5 losses, financial losses as a result of losing WACMA as
6 a customer.

7 MR. GADSDEN: This is Tom Gadsden.
8 Obviously we disagree. No. 1, there is no evidence of
9 Record that the debt service payment will increase back
10 to the \$2.7 million level in 2005, but more
11 importantly, what Mr. Zangrilli is arguing in his
12 motion before you is that if the motion for interim
13 emergency relief is not granted, they will be forced to
14 increase their rates 30 percent, presumably
15 immediately, and we just think that that allegation has
16 no credibility in light of the fact that their
17 anticipated cost of service within a matter of months
18 is expected to decline by over a million dollars.

19 MR. ZANGRILLI: Judge Gesoff, Al Zangrilli.
20 I'm prepared to do this, our objection remains as to
21 the admissibility of page 22. However, if Your Honor
22 is inclined to admit it, then we would want to be able
23 to submit to Your Honor the debt repayment schedule to
24 show to Your Honor the theory that I'm -- not the
25 theory, the fact that I'm advancing that this year or

1 2005 is a highly irregular year. It's a downward spike
2 -- and don't ask me to explain why the financial people
3 set it up this way, but that's the way it is.

4 JUDGE GESOFF: All right. I'm going to
5 allow PAWC Exhibit 5 in and identify as MATR Exhibit 16
6 the debt financing schedule that Mr. Zangrilli just
7 referred to. When can you get that in?

8 MR. ZANGRILLI: Are we still connected?

9 JUDGE GESOFF: Yes. Pardon?

10 MR. GADSDEN: I'm here, Al.

11 JUDGE GESOFF: I'm sorry, folks. I had the
12 mute button on because I was rattling papers and I
13 started talking and, of course, you can't hear me. Our
14 secretary is getting tired of running between the
15 machine and here. I beg your pardon.

16 I'm going to allow PAWC Exhibit 5 to be admitted
17 into the Record and identify as MATR Exhibit 16 the
18 debt financing schedule to which Mr. Zangrilli just
19 alluded and when can you get that to me, Mr. Zangrilli?

20 MR. ZANGRILLI: Today, Your Honor.

21 JUDGE GESOFF: We have a one day turnaround
22 on the transcript. Can you get it to me while we're
23 still on the air?

24 MR. ZANGRILLI: Let me -- give me a second.
25 Let me ask Mr. Lenze.

1 JUDGE GESOFF: All right.

2 MR. ZANGRILLI: Yes, Judge, I think we can
3 get that to you. Just give me a second to pull that
4 document and then Mr. Lenze can be locating it. Can I
5 just have a minute to go to another office?

6 JUDGE GESOFF: Yes.

7 (Pause).

8 MR. ZANGRILLI: Thank you. All right. Your
9 Honor, I have given Mr. Lenze a closing binder from the
10 refinancing and he's going to look for that schedule
11 and I'll let you know when he finds it.

12 JUDGE GESOFF: All right. I owe you the
13 rest of Exhibit 4 -- I'm talking to the Court Reporter
14 now. So before I go, I have to make copies of this.
15 Okay.

16 So MATR Exhibit 16 is admitted into the Record.
17 Well, do you need to see that first, Mr. Gadsden,
18 before I go ahead and admit it?

19 MR. GADSDEN: No, you can go ahead and admit
20 it.

21 JUDGE GESOFF: All right. So I have
22 admitted everything, MATR Exhibit 15, 16 and PAWC
23 Exhibit 4, 4A, B, C and D and PAWC Exhibit 5. All
24 right. Anything else?

25 MR. VUONO: This is Vuono, Your Honor. One

1 JUDGE GESOFF: Okay. Mr. Zangrilli, you
2 filed the petition for an interim emergency order and I
3 want you to address your petition with respect to the
4 findings that I must find in order to issue the interim
5 emergency order which you're seeking.

6 MR. ZANGRILLI: Your Honor, it's our
7 contention that we have made out a prima facie case
8 that the sale of water by PAWC to WACMA pursuant to
9 rider DLS is illegal. We're asking for interim relief
10 to preserve the status as it existed prior to the
11 unilateral decision of PAWC to start providing water
12 even while this matter is before Your Honor for
13 adjudication.

14 The irreparable harm that will arise to MATR is
15 that if we are successful -- and we believe that the
16 Record indicates that we have a high probability of
17 success on the merits, although we understand it's
18 before Your Honor for that very determination -- that
19 we will lose the revenue that would -- that we would be
20 able to achieve by continuing to sell water and we
21 would not be able to recover that under any cause of
22 action, either from WACMA or from PAWC, and that's the
23 clear holding of the West Penn Power case, that
24 economic injury that cannot be recovered satisfies the
25 irreparable injury requirement and likewise in the

1 Israel case, that the illegal use of a tariff
2 constitutes irreparable injury of the most serious
3 nature and is a fit subject for preliminary injunction,
4 just as it is in civil law, where you can stop --
5 courts will enjoin illegal conduct if the other
6 elements giving rise to injunctive relief are present.

7 We also feel and assert that the relief requested
8 is not injurious to the public interest and, in fact,
9 the public interest will be harmed if an unlawful rate
10 is permitted to be charged for several reasons. No. 1,
11 we will be required to increase our rates by
12 approximately 30 percent because of the loss of WACMA
13 as a customer. The sole reason we're losing WACMA as a
14 customer is because of the illegal use of rider DLS.
15 It's that simple.

16 Let me make something perfectly clear, we cannot
17 restrain, we won't even think of asking the Commission
18 or Your Honor to restrain the sale of water to WACMA at
19 the tariff rate of \$3.92 per thousand gallons. It's
20 the -- what we contend is the illegal use of the
21 heavily discounted rate that gives rise to the
22 illegality and thus creates the economic harm to MATR,
23 where or from whence WACMA would be purchasing water,
24 whether it be pursuant to a contract or by virtue of a
25 verbal understanding or by virtue of spot purchases.

1 Let me belabor the obvious. Some people say,
2 well, you have to have a contract to sell water or the
3 extension agreement that you have entered into with
4 WACMA has expired by its terms and, therefore, you're
5 going to turn the spigot off.

6 This kind of paranoia has to stop. We're in the
7 business of selling water. We'll sell it to WACMA or
8 to anybody else who wants to buy from us. We have
9 never had the intent of turning that water off, whether
10 there's a written agreement or otherwise. We don't
11 need written agreements to sell water. That's our
12 business.

13 Furthermore, we think that the ratepayers of
14 WACMA could be subject to a surcharge in the event that
15 at the end of the day Your Honor declares rider DLS
16 illegal and they have been purchasing the water at what
17 is then clearly a discriminatory rate. It's arguable
18 that they would then have to make up that difference.

19 So that is fundamentally our case. We're asking
20 for short-term relief until Your Honor has a chance to
21 adjudicate this case, which as we know from the
22 briefing schedule and the schedule that Your Honor has
23 indicated is not very far distant.

24 MR. PILLAR: Your Honor, this is Pillar, if
25 I may just add one more thing to what Mr. Zangrilli

1 said, I just want to say, by way of clarification, it's
2 the application of DLS in this particular case that Mr.
3 Zangrilli is referring to as illegal and not DLS
4 itself.

5 MR. ZANGRILLI: Correct. Thank you, John.
6 Your Honor, that's our position.

7 JUDGE GESOFF: Okay. Thank you. Mr.
8 Gadsden.

9 MR. GADSDEN: Thank you, Your Honor. I
10 think most of the points that Mr. Zangrilli made are
11 addressed in full in the answer which we distributed by
12 electronic mail shortly before the hearing, but
13 recognizing that you and the parties may not have had
14 an opportunity to review or reflect on that answer, let
15 me take a minute to sort of summarize where we're
16 coming from.

17 First of all, let's talk about the status quo.
18 The status quo is that we're selling about 65 percent
19 of WACMA's needs, and as Mr. Vuono pointed out, are
20 transitioning upward in compliance with the contract
21 that we have in place with WACMA.

22 As we point out, and as Mr. Zangrilli apparently
23 acknowledges, Robinson Township doesn't have a contract
24 to sell water to WACMA any more. They negotiated an
25 extension agreement. The extension agreement expired

1 by its own terms upon written -- upon receipt and
2 written notice that the DEP permits had been issued, so
3 in effect what Robinson Township is asking the
4 Commission to do is to direct WACMA to in effect
5 execute a new agreement with Robinson for the duration
6 of this proceeding and I don't know of any authority
7 which would entitle the Commission to do that.

8 In addition, when you have an opportunity to
9 review the DEP permits, you will see that in the event
10 that our agreement with WACMA is terminated, that WACMA
11 no longer has any right to buy water from Robinson in
12 the first place.

13 Having said all of that, we strongly believe that
14 Robinson has failed to satisfy any of the four criteria
15 set forth in 52 PA Code Section 3.7. We don't believe
16 that there -- that they have shown or can show that
17 their right to relief is clear. I think if you go
18 through the evidence that was submitted at the January
19 21st hearing, it becomes abundantly clear that all of
20 the parties to the 1995, '96 proceeding fully
21 anticipated that rider DLS would be used not only to
22 retain load, which is the situation here, but also to
23 attract load, which arguably is also the situation
24 here. There is no evidence to suggest otherwise.

25 Secondly, we don't think that Robinson Township

1 has shown that its need for relief is immediate and,
2 indeed, if it had been immediate, we suspect that they
3 would have taken steps to pursue their initial request
4 for injunctive relief which was laid out in a pleading
5 they filed ten months ago and we cite a case in our
6 answer in which the Commission denied interim relief
7 for amongst other reasons the fact that the petitioner
8 had in effect sat on its hands for over four months in
9 that particular case.

10 With respect to irreparable injury, we cite the
11 Brinks case. I think that is a more parallel situation
12 than the West Penn Power case and speaks directly to
13 the question of whether competitive disadvantage can
14 constitute irreparable injury. That was certainly not
15 the situation in the West Penn Power case.

16 Finally, as far as whether relief would be
17 injurious to the public interest, Robinson Township,
18 not surprisingly, focuses on the economic consequences
19 of its petition or our sale of water to Robinson
20 Township, but clearly ignores the economic implications
21 of its petition to Pennsylvania-American and to WACMA
22 and WACMA is currently receiving safe, reliable service
23 from Pennsylvania-American at a rate below what it had
24 been paying Robinson Township and obviously if it has
25 to go back to what Mr. Zangrilli described as the

1 pre-February 4th status quo, it ends up paying more.
2 Pennsylvania-American loses those revenues that WACMA
3 gained -- that Robinson Township gains and so it
4 clearly is injurious to our interests and we believe to
5 WACMA's interests and for all of those reasons we
6 believe that they have failed to satisfy the
7 requirements of Section 3.7, and finally, as we point
8 out in our answer, the whole issue of whether these
9 types of contracts could become effective upon filing
10 or whether they needed prior Commission review and
11 approval was addressed in the 1995-'96 proceeding and
12 the Commission concluded at that time that they did not
13 have to be pre-approved and so there's nothing illegal
14 about our putting this contract into effect and
15 charging WACMA the rate that we are.

16 JUDGE GESOFF: Okay. Hold on a second. I
17 know you're going to go next Mr. Zangrilli, but I
18 wanted --

19 MR. GADSDEN: Mr. Vuono may have something
20 to add, I don't know.

21 JUDGE GESOFF: I'm sorry. Mr. Vuono, I
22 apologize. Let me just interject here and ask a couple
23 of questions.

24 When I got your answer, Mr. Gadsden, I tried to
25 run the cites through Lexis and I couldn't get there.

1 Let me get the answer here. That doesn't mean that you
2 were citing incorrectly at all, because Lexis and I
3 aren't that well acquainted.

4 MR. GADSDEN: I think we cited three cases
5 and I would be happy to package those up and FAX them
6 out to you at the conclusion.

7 JUDGE GESOFF: Okay. Giving me a non-Lexis
8 cite, maybe.

9 MR. GADSDEN: I don't know -- I'm quite
10 certain the opinion and order on remand was not
11 published in any written nature, so I'll probably have
12 to give you the original on that one.

13 JUDGE GESOFF: Okay.

14 MR. GADSDEN: The Brinks case we gave you a
15 Lexis cite, but I suspect -- I'm sure there is an
16 Atlantic Second cite which we can provide and then the
17 Mill Associates Dauphin Consolidated Water case we
18 pulled off Lexis. I apologize if I gave you the wrong
19 cite, but we'll send you a hard copy of that as well.

20 JUDGE GESOFF: Okay. Thank you. Mr. Vuono,
21 anything?

22 MR. VUONO: Your Honor, on behalf of WACMA,
23 we would join in the position stated by Mr. Gadsden for
24 PAWC and I was about this morning to send a letter to
25 you joining in his answer and I will do that formally

1 on the Record. That concludes my statement.

2 JUDGE GESOFF: All right. I have a question
3 for you, Mr. Zangrilli. Hold on, I'm shuffling papers
4 here. Okay. I don't have a question for you. Sorry.

5 Mr. Zangrilli, any remarks?

6 MR. ZANGRILLI: Yes, Judge, I do have some
7 remarks. I disagree with PAWC's assertion that we are
8 requesting Your Honor to enter an order compelling
9 WACMA to buy water from us. That is not the case and
10 if you will examine, Your Honor, the wherefore clause
11 of our petition wherein we stated the relief that we
12 seek, it simply requests that you bar the sale of water
13 pursuant to the water sales agreement of March 28,
14 2003, until a final order is entered. In other words,
15 that you bar PAWC from selling water at its
16 discriminatory rider DLS rate.

17 No. 2, I'm not sure that I agree with PAWC that
18 if Your Honor enters an order or grants our request
19 that the water allocation permits therefore fall. I
20 might want to think about that a little bit more and
21 send Your Honor a letter, but I don't think that's the
22 case. I don't think -- what will fall will be arguably
23 PAWC's water allocation permit, but not the water
24 allocation permits of Moon Township Authority, of the
25 Findlay Authority and of MATR. Under those water

1 allocation permits, there's plenty of supply available
2 for the consumers of the WACMA territory.

3 The next position that I want to disagree with is
4 the assertion that in the proceedings pursuant to which
5 rider DLS was approved as a tentative experimental
6 rider to be closely scrutinized henceforth by the PUC,
7 the concept of attract is used only in a very limited
8 sense -- and I'm going to get a brief over to Your
9 Honor within a day pointing this out, if the Court
10 would like to see it -- but the word attract, whenever
11 it is used -- and it's used very infrequently -- refers
12 to the concept of attracting new business such as
13 enticing a new heavy load consumer to come into a
14 service territory.

15 The thrust of the prior litigation was to reduce
16 the rider DLS to retain a customer who was about to
17 bolt to a rival suitor who was attempting to entice
18 that customer away from PAWC by the technique of using
19 a lower rate.

20 Your Honor, I want to address the point that was
21 made that --

22 JUDGE GESOFF: Let me stop you right there a
23 second. I will not be taking briefs on this.

24 MR. ZANGRILLI: Okay. Then our argument
25 will remain verbal and our contention is that the word

1 attract is used only in a very limited sense in the
2 proceedings approving the rider and certainly not in
3 the sense that was utilized by PAWC to steal WACMA from
4 us.

5 Now, let me address, Your Honor, very briefly,
6 the argument that we did not seek an injunction ten
7 months ago. We didn't seek an injunction -- the
8 injunction that we originally requested when we filed
9 our complaint back in the early summer was an
10 injunction barring PAWC from constructing the
11 facilities. In their response papers PAWC cited
12 numerous authorities to the extent that the PUC cannot
13 bar them from constructing whatever facilities they
14 want to construct. We did not contest that point at
15 that time.

16 Furthermore, we could not have requested the
17 equitable relief that we're seeking today because at
18 that time the contract between MATR and WACMA dated
19 1983 was still in effect and that contract did not
20 expire until October of 2003. Therefore, we had
21 nothing to complain about. It would have been a
22 nullity to say -- to request an injunction.

23 Furthermore, when our contract did expire,
24 because there was no water allocation permit, WACMA
25 continued to buy water from us. We did not sustain any

1 harm until the spigot was turned off, in other words,
2 until our water supply was turned off, which occurred
3 on not February 4, because it was late in the day of
4 February 4 that I received the FAX letter from Mr.
5 Brown that is now in evidence and then, of course, the
6 water then over the next five days was -- we were
7 phased out gradually and they were phased in.

8 So, we think that we did not sit on our rights,
9 we moved immediately and promptly. We moved within a
10 matter of days.

11 With respect finally to the concept that PAWC
12 asserts that the use of rider DLS in this particular
13 context or the contract between WACMA and PAWC did not
14 have to be pre-approved, we think that the agreement in
15 and of itself -- and that agreement, Your Honor, is in
16 the record from the prior hearing -- does require that.
17 I'm going to read from paragraph 24.1, quote -- well,
18 PAWC "represents and warrants that disagreements shall
19 be filed with the Pennsylvania Public Utility
20 Commission and is subject to review by the PUC."

21 Paragraph 4.6 in addition states, "the parties
22 recognize and expressly agree that the consummation of
23 this transaction is conditioned upon receiving approval
24 from the PA PUC to the extent such approval is
25 required."

1 Paragraph 24.1 talks about a representation and a
2 warranty on the part of PAWC that it is subject to
3 review by the PUC and, therefore, it's our position
4 that even though a pre-approval may not be technically
5 required, this particular contract and the use of rider
6 DLS must be approved by the Commission as is evidenced
7 by the fact that it's currently pending before Your
8 Honor. That concludes my rebuttal.

9 JUDGE GESOFF: Mr. Gadsden.

10 MR. GADSDEN: Thank you, Your Honor. Let me
11 address Mr. Zangrilli's points in the order in which he
12 presented them.

13 I think the first one, first Mr. Zangrilli argued
14 that they were -- they being Robinson Township -- were
15 not seeking an order directing WACMA to purchase water
16 from Robinson Township, but rather to preclude us from
17 selling water to WACMA pursuant to the contract. In
18 other words, what he seems to be saying is that all
19 they want you to do is say we have to charge WACMA the
20 higher tariff rate. I don't find that argument
21 terribly credible in light of the petition for
22 emergency relief that they have filed. Obviously that
23 remedy would not address any of the concerns that Mr.
24 Zangrilli has raised in his petition or raised this
25 morning in terms of irreparable harm to Robinson

1 Township in terms of public interest considerations,
2 what have you.

3 I mean, I just don't understand the point, other
4 than to suggest that Robinson Township is probably
5 assuming that if Pennsylvania-American were forced to
6 charge the higher rate, that that would somehow force
7 WACMA back into Robinson's arms, which I suspect is
8 what this is all about.

9 Secondly, the question of what the permits do or
10 do not say, I believe Mr. Zangrilli indicated that in
11 his -- he wanted to take another look at it, but he
12 thought that the argument I had presented or concern I
13 had raised related only to the permit that covered
14 sales from Pennsylvania-American. In fact, if you look
15 at any of these permits, whether its Findlay or
16 Robinson Township, Moon or Oakdale, each of them
17 contains the same language, which indicates -- and its
18 set forth under term of permit -- that the permit will
19 become null and void if WACMA terminates or fails to
20 renew its purchase agreement with Pennsylvania-American
21 Water Company. So it's just not a question of our
22 permit, it's a question of all five.

23 I won't relitigate the -- reargue the issue of
24 what the -- what rider DLS was and was not intended to
25 cover. That, of course, is the ultimate issue in this

1 proceeding. We certainly disagree with Mr. Zangrilli's
2 interpretation and would simply further point out, as
3 Mr. Stout did in his Direct testimony, that the tariff
4 language itself makes it clear that one of the costs
5 that is to be covered by the so-called floor or minimum
6 rate is the cost of new facilities and, obviously, if
7 the tariff were simply designed to enable Pennsylvania-
8 American to retain the existing load, it wouldn't need
9 to install new facilities.

10 The fourth point that Mr. Zangrilli made related
11 to their initial request for injunctive relief and he
12 represents that in their petition or complaint all they
13 had asked for was that the Commission enjoin the
14 construction of facilities. They have backed off that
15 after having reviewed some of the authority that we
16 cited in our answer. That's not the case.

17 The wherefore clause in their original complaint
18 reads as follows, wherefore, MATR requests this
19 Commission to enter an order prohibiting PAWC from
20 commencing service to WACMA pursuant to the PAWC
21 agreement or constructing any facilities with respect
22 to such service.

23 Finally, he cited certain language in the
24 agreement between WACMA and Pennsylvania-American. We
25 don't think that language which parenthetically was

1 also cited in its petition for interim emergency relief
2 lends any support for the notion that the contract
3 between Pennsylvania-American and WACMA had to be
4 reviewed and approved in advance of it becoming
5 effective.

6 We have never suggested that the agreement is not
7 subject to Commission review. What we're saying in
8 response to an assertion in the Robinson Township
9 petition for interim emergency order is that that
10 agreement did not need prior Commission approval in
11 order for it to become effective.

12 That concludes my response.

13 MR. ZANGRILLI: Your Honor, Al Zangrilli,
14 may I make one brief surrebuttal point?

15 JUDGE GESOFF: Yes.

16 MR. VUONO: John Vuono. I would like to
17 make this one point.

18 MR. ZANGRILLI: Absolutely, John, go ahead.

19 MR. VUONO: On the issue of Commission
20 approval of the agreement between WACMA and PAWC, the
21 same paragraph that Mr. Zangrilli cited, the
22 representations and warranty, paragraph 24, there is a
23 subparagraph 24.2 in which Western Allegheny represents
24 and warrants that this agreement will not require the
25 consent or approval of or registration with any

1 governing body or agency and it has been our continuing
2 position that approval by the PUC of this agreement per
3 se is not required as part of this transaction.

4 JUDGE GESOFF: Okay. Thank you. Mr.
5 Zangrilli.

6 MR. ZANGRILLI: Your Honor, the only thing I
7 want to point out to the Court pertains to this issue
8 of the water allocation permits and I just wanted to
9 direct Your Honor's attention to the -- to what I'm
10 trying to say about interplay between these water
11 allocation permits and the DEP. Only in the permit
12 that was issued to PAWC does clause 2 appear, which is
13 called adjudication by PUC or Court, and I'm just going
14 to call that to Your Honor's attention. I'm not going
15 to read it.

16 It's not the most carefully drafted provision I
17 have ever read, but I think that seems to say that if
18 the PUC rules contrary to PAWC either with respect to
19 this immediate petition or ultimately, then this permit
20 shall become automatically suspended.

21 That language does not appear in any other water
22 allocation permit. The section that PAWC references,
23 namely the permit which appears as paragraph 2 in all
24 the other water allocation permits, has plenty of lead
25 time and I just ask Your Honor to read that when you're

1 considering this case. I'm not going to read it, but
2 the gist of it is that, yes, these permits will become
3 null and void if, for example, the permittee doesn't
4 take the water within a period of four years or seven
5 years. So there's plenty of time there for this permit
6 to exist or to be effective before it is subject to
7 revocation. That's our point there and that's all I
8 have.

9 JUDGE GESOFF: Okay. Let me go over my
10 notes. One of the things I want to ask is the rate
11 under DLS is \$1.90 per thousand gallons, is that
12 correct, Mr. Gadsden?

13 MR. GADSDEN: Yes, sir.

14 JUDGE GESOFF: What is the rate under the
15 expired contract between Robinson Township and WACMA?

16 MR. ZANGRILLI: Your Honor, that rate would
17 be \$2.51 per thousand gallons and that was a rate that
18 became effective December 15 of 2003. Prior to that
19 time it had been \$2.18 per thousand gallons.

20 JUDGE GESOFF: That was under the old
21 contract?

22 MR. ZANGRILLI: Yes. That's correct, Your
23 Honor.

24 JUDGE GESOFF: Okay. Is that anywhere in
25 the record? I'm not sure --

1 MR. ZANGRILLI: This is Zangrilli speaking.
2 The \$1.90 certainly is and our -- the rate of \$2.18 per
3 thousand gallons certainly is and it's attached as an
4 Exhibit to Mr. Lenze's Direct testimony. I forget
5 which Exhibit it is, but the rate schedules are in
6 there.

7 Now, with respect to the current MATR charge, in
8 other words, the rate of \$2.51 that commenced in
9 December 15 of 2003, I'm not sure that that is in the
10 record. I can't say, Your Honor, one way or the other.

11 JUDGE GESOFF: All right.

12 MR. GADSDEN: This is Gadsden. I'm pretty
13 sure it is not.

14 JUDGE GESOFF: Can this be stipulated --

15 MR. VUONO: This is Vuono. I would not
16 object to the statement made for whatever purpose its
17 being made, subject to my right to review this with the
18 WACMA people and advising all parties as to the actual
19 rate as of 12/15/03.

20 JUDGE GESOFF: Can we stipulate to it
21 subject to your check?

22 MR. VUONO: Yes.

23 JUDGE GESOFF: Who said that?

24 MR. GADSDEN: Vuono. I said it.

25 JUDGE GESOFF: All right. Mr. Vuono and Mr.

1 Zangrilli?

2 MR. ZANGRILLI: That's fine, Your Honor.

3 JUDGE GESOFF: Mr. Gadsden?

4 MR. GADSDEN: Yes. I'm fine with that.

5 JUDGE GESOFF: All right. So stipulated.

6 All right. Let me see if I have anything else.

7 What was the \$3.92 per thousand gallons?

8 MR. ZANGRILLI: Judge Gesoff, this is Al
9 Zangrilli. The \$3.92 per thousand is the rate that
10 PAWC must charge WACMA pursuant to its tariff if it is
11 not utilizing the discounted rate of rider DLS, which
12 is \$1.90.

13 JUDGE GESOFF: Okay. Thank you.

14 MR. GADSDEN: Well, let me just -- this is
15 Gadsden. Let me clarify that.

16 What we would stipulate to is that the \$3.92 rate
17 was the prevailing sale for resale rate in
18 Pennsylvania-American's tariff at the time this case
19 was brought. Pennsylvania-American, as you are
20 probably aware, just completed a base rate proceeding,
21 received an order at the end of January. Off the top
22 of my head, I can't recall whether as part of the
23 stipulation that resolved cost of service and rate
24 design issues. In that case we included an increase to
25 the sale for resale rate, but if acceptable to Mr.

1 Zangrilli, Mr. Vuono and Mr. Pillar and Your Honor, I
2 can try to get a copy of the currently effective sale
3 for resale rate and distribute that this afternoon.

4 JUDGE GESOFF: Well, you can, but I'm not
5 going to consider it.

6 MR. GADSDEN: All right.

7 JUDGE GESOFF: I don't want to burden the
8 record. All we know is that the \$3.92 was in effect
9 when this case was brought and it may have changed as a
10 result of the '04 rate or not, but whether its changed
11 or not doesn't matter.

12 MR. GADSDEN: Okay. That's fine.

13 JUDGE GESOFF: Let me go over my notes
14 again. Okay. I don't think I have any other
15 questions. There's a one day turnaround on the
16 transcript. I should have my copy tomorrow and I'm
17 going to start writing this up from my notes and from
18 the petition and the answer and I hope to get it out
19 before the end of the week. It's going to be an order
20 and I have to certify it up to the Commission and I'll
21 be able to, I think, E mail you a copy of my order and
22 I guess whatever mechanism I use to send it up to the
23 Commission as well.

24 I think that's about it. You have the briefing
25 schedule and as I might have told you, I won't be

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

The Municipal Authority of the
Township of Robinson

v.

Pennsylvania-American Water Company

Pennsylvania Municipal Authorities Association,
Intervenor

DOCKETED
MAR 09 2004

C-20030092

**DOCUMENT
FOLDER**

CERTIFICATION OF A MATERIAL QUESTION

By Interim Emergency Order issued February 19, 2004, the undersigned denied a petition for an interim emergency order which the Municipal Authority of the Township of Robinson (MATR) filed on February 12, 2004. The petition requested an order barring the sale of water by Pennsylvania-American Water Company (PAWC) to The Western Allegheny County Municipal Authority (WACMA) until the Commission enters a final order in this proceeding. MATR had served WACMA under an agreement which expired and PAWC is serving WACMA under its tariff Rider DRS-Demand Based Resale Service. The Commission held a hearing on MATR's petition on February 17, 2004.

This certification is made pursuant to 52 Pa. Code §3.10 which requires that a presiding officer ruling on a petition for an interim emergency order certify the question of the ruling to the Commission as a material question pursuant to 52 Pa. Code §5.305.

The question certified is as follows:

Whether the Interim Emergency Order issued February 19, 2004 denying MATR's request for interim emergency relief is in accord with the evidence developed in the proceeding.

Attached to this certification are a copy of (1) MATR's petition, (2) PAWC's answer to the petition, (3) pertinent pages of the hearing held on February 17, 2004 (which consists of argument by counsel on the merits of the petition), and (4) the Interim Emergency Order which is the subject of the certification. The undersigned served a copy of the Interim Emergency Order upon the parties to this proceeding and some of the parties purchased a copy of the transcript of the hearing. The above-mentioned attachments, therefore, accompany only the Commission's copy of this certification. This order has been served on the parties by U.S. mail and electronic mail.

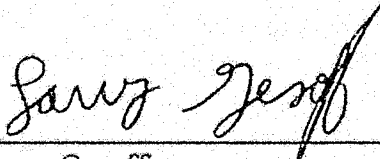
THEREFORE;

IT IS ORDERED:

That the following question be certified to the Commission pursuant to 52 Pa. Code §§ 3.10 and 5.305:

Whether the Interim Emergency Order issued February 19, 2004 denying MATR's request for interim emergency relief is in accord with the evidence developed in the proceeding.

Dated: February 19, 2004



Larry Gesoff
Administrative Law Judge

SERVICE LIST: C-20030092

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF THE :
TOWNSHIP OF ROBINSON :

v. :

DOCKET NO. C-20030092

PENNSYLVANIA-AMERICAN WATER :
COMPANY :

DOCUMENT
FOLDER

ANSWER OF PENNSYLVANIA-AMERICAN WATER COMPANY
TO THE PETITION FOR INTERIM EMERGENCY ORDER
OF THE MUNICIPAL AUTHORITY OF THE TOWNSHIP OF ROBINSON

Pennsylvania-American Water Company ("PAWC" or the "Company"), Respondent in the above-captioned matter, hereby answers the *Petition for Interim Emergency Order* (the "Petition") filed on February 12, 2004 by the Municipal Authority of the Township of Robinson ("MATR"). In summary, PAWC respectfully submits that MATR has failed to satisfy any of the four prerequisites for the granting of interim emergency relief under 52 Pa. Code §3.7. MATR has not shown that its right to relief is clear and, after waiting for ten months to pursue its requested injunction, cannot credibly argue that its need for relief is immediate. Furthermore, MATR's claim of irreparable harm is totally unsupported. Lastly, it is apparent that the public interest would be injured and not served if WACMA were denied the benefit of its arm's-length negotiations with MATR and PAWC. For those and the other reasons set forth below, the Petition should be dismissed and the relief requested therein denied.

1 It is admitted that MATR filed a *Complaint and Petition for Declaratory Judgment* (the "Complaint") in this matter on April 15, 2003. By way of further answer, PAWC notes that MATR's Complaint included a request that the Commission enjoin PAWC from commencing service to the Western Allegheny County Municipal Authority ("WACMA")

pursuant to the parties' March 28, 2003 Water Sales Agreement and from constructing any facilities with respect to such service. At the July 18, 2003 Prehearing Conference, MATR advised the Administrative Law Judge that it had decided not to pursue injunctive relief at that time (*see Prehearing Order*, dated July 18, 2003, p. 2).

2. It is admitted that PAWC and WACMA executed a Water Sales Agreement on March 28, 2003. That Agreement, which was entered into the record at the January 21, 2004 evidentiary hearing held herein, speaks for itself.

3. It is admitted that MATR has made this allegation. By way of further answer, PAWC avers that it has demonstrated conclusively, on the record, that the March 28, 2003 Agreement reflects a proper application of Rider DRS and is in full accord with PAWC's tariff and the Commission's prior Orders on this matter.

4. Admitted.

5. Admitted.

6 - 8. It is admitted that the March 28, 2003 Agreement contains the language quoted by MATR in Paragraph No. 6 of its Petition and that, on February 4, 2004, PAWC advised the parties and the Administrative Law Judge that it had initiated service under the Agreement. It is denied that PAWC required the prior approval of the Commission in order for the Agreement to become effective. Indeed, in its June 6, 1996 *Opinion and Order on Remand* at Docket No. R-00943231, the Commission specifically rejected an Office of Consumer Advocate proposal that contracts executed pursuant to Rider DRS be reviewed and approved by the Commission in advance. *See Pa. P.U.C. v. Pennsylvania-American Water Co* 1996 Pa. PUC LEXIS 199.

9. It is admitted that Judge Christianson's Recommended Decision at Docket No. R-00943231 contains the language quoted by MATR in Paragraph 9 of its Petition. It is denied that

the treatment of so-called "lost revenue" in a subsequent rate proceeding has any bearing on the legality of the March 28, 2003 Agreement, which, according to MATR, is "the core issue pending before the Tribunal" (Petition, p. 2).

10. Denied. By way of further answer, PAWC notes that it has served WACMA for over 45 years and that it has the right - - indeed, the legal obligation - - to continue to do so in accordance with the terms and conditions of its Commission-approved tariff.

11. Denied. By way of further answer, PAWC avers that MATR no longer has any contractual right to sell water to WACMA and WACMA no longer is under any contractual obligation to purchase water from MATR. Indeed, the Extension Agreement under which MATR and WACMA were operating, and which was entered into the record in this proceeding as Exhibit Morris-1 to WACMA Exhibit No. 1, expressly provides as follows (p. 2):

2. The [October 20, 1983] Agreement shall not terminate on October 21, 2003; but, rather shall continue in full force and effect until the first to occur of either: (a) 24 hours after receipt by MATR of written notice of receipt by WACMA of the Permit or (b) April 2, 2004.

Earlier this month, the Department of Environmental Protection ("DEP") issued a Water Allocation Permit authorizing WACMA to purchase up to 1.6 million gallons per day ("GPD") from PAWC.¹ In accordance with the above-quoted language, WACMA provided MATR the required written notice and, consequently, MATR's Agreement to sell water to WACMA expired by its own terms. Accordingly, MATR does not appear to be asking "that the status quo be maintained." To the contrary, it is, in effect, seeking to have this Commission force WACMA to

¹ On the same day, the DEP issued four additional Water Allocation Permits authorizing WACMA to purchase up to 10 million GPD from MATR; 500,000 GPD from the Moon Township Municipal Authority; 200,000 GPD from the Findlay Township Water Authority; and 1,500 GPD from the Borough of Oakdale. Each of these supplemental Permits, however, becomes null and void if WACMA terminates or fails to renew its purchase water agreement with PAWC.

enter into a new purchased water contract with MATR for the duration of this proceeding.

PAWC respectfully submits that the Commission is without the authority to grant such relief.

12. Denied. By way of further answer, PAWC avers that the rate charged WACMA by PAWC under the March 28, 2003 Agreement falls within the range of permissible rates defined by Rider DRS and, as such, has been authorized by the Commission and is lawful in all respects. *See Opinion and Order on Remand, supra* ("Service agreements negotiated under Rider DRS will represent the application of filed, published and pre-approved tariff rates, that is, rates within the range of "just and reasonable" rates defined by the "floor" and "ceiling" rates set forth in Rider DRS"). Notably, at the evidentiary hearing held on January 21, 2004, MATR, through its counsel, stated that it was no longer asserting that the rate set forth in the March 28, 2003 Agreement was less than the minimum or "floor" rate required by Rider DRS (Tr. 18-19).

13. Denied for the reasons set forth in Paragraphs 8, 11 and 12, *supra*.

14 - 15. Denied. By way of further answer, PAWC avers that the record in this case makes it abundantly clear that Rider DRS was always intended to provide PAWC a vehicle to both retain and attract water sales under circumstances where a current or prospective customer had a viable competitive alternative to service from PAWC (*see* PAWC St. 3; PAWC Exhibit 3-A). In any event, MATR has not established and, PAWC respectfully submits, cannot establish that its "right to relief is clear," which is a threshold showing to the issuance of an Interim Emergency Order under 52 Pa. Code §3.7(a)(1).

16. Denied. By way of further answer, PAWC notes that the term "emergency" is defined at 52 Pa. Code §3.1 as follows: "A situation which presents a clear and present danger to life or property or which is uncontested and requires action prior to the next scheduled public meeting." PAWC submits that MATR has failed to demonstrate "a clear and present danger to

life or property" or that its need for relief is "immediate." In *Crums Mill Associates v. Dauphin Consolidated Water Supply Co.*, 1993 Pa. PUC LEXIS 90, the Commission declined to issue an Interim Emergency Order notwithstanding allegations of "financial peril," reasoning that "the Complainants knew or should have known of their financial dilemma some four months prior to perceiving the need for emergency relief from the Commission."

As noted *supra*, MATR was similarly aware, when it filed its Complaint in April, 2003, of the alleged financial implications to it of the loss of WACMA as a customer and, indeed, initially sought to have the Commission enjoin the construction of facilities and the commencement of service by PAWC pending the conclusion of this proceeding. In July, 2003, MATR decided not to press its request for injunctive relief and it should not now be heard to complain some seven months later.

17 Denied. By way of further answer, PAWC avers that any diminution in the Authority's revenues would be precisely the kind of "competitive" impact that the Commonwealth Court has expressly held "does not amount to an injury, irreparable or otherwise." *Brink's Inc. v Pa. PUC*, 1982 Pa. Cmmw. LEXIS 1264 (1982) ("All that Brink's can claim is that the exercise of the temporary authority by Brooks will cause Brink's to face competition for business as a contract carrier. No basis can be found for concluding that it is necessarily injurious for an American business enterprise to encounter competition in its field").

18 Denied as follows:

(a) PAWC's customers (other than WACMA) will not be affected by the Commission's action on the Petition because PAWC's base water rates will not change during the pendency of this proceeding. PAWC, however, would be adversely affected if the requested Interim Emergency Order were granted because its current rates, as approved by Commission

Order entered January 29, 2004 at Docket No. R-00038304, assume that the March 28, 2003 Agreement is in effect and generating ongoing annual sales revenues from WACMA totaling \$807,972 (PAWC Ex. 3-A Revised, p. 10R)(i.e. that level of sales was imputed in calculating PAWC's pro forma present rate revenues and, therefore, served to reduce its claimed revenue requirement by a commensurate amount).

(b) It is unclear what recourse, if any, PAWC would have against WACMA in the event that it were eventually determined that PAWC could not sell water to WACMA at the Rider DRS contract rate. What is clear is that WACMA, and perhaps its customers, would be adversely affected if the proposed Interim Emergency Order were issued because WACMA presumably would have to purchase water from MATR at the prior MATR contract rate or, alternatively, from PAWC at its Sale for Resale rate, both of which are higher than the Rider DRS contract rate set forth in the March 28, 2003 Agreement.

(c) Denied. By way of further answer, PAWC avers that MATR has failed to establish that it would require any rate increase if it lost WACMA as a customer. To the contrary, the cross-examination of Mr. Antonelli, who prepared the analysis on which MATR relies, demonstrated that he had substantially overstated the prospective impact of the loss of WACMA and, in the process, had completely ignored certain offsetting savings (Tr. 48-54). Furthermore, MATR has not shown or, for that matter, even alleged that it would need and/or would contemplate a rate increase during the pendency of this proceeding.²

19. Denied for all of the reasons previously discussed.

² In fact, at page 22 of MATR's most recent Annual Consulting Engineer's Report, which was similarly prepared by Mr. Antonelli and was provided to PAWC in discovery (Set 1, No. 3), it is noted that MATR's annual debt service is expected to decline by \$1,062,560 during its fiscal year beginning July 1, 2004.

WHEREFORE, PAWC requests that MATR's Petition for Interim Emergency Order be dismissed and the relief requested therein denied.

Respectfully submitted,

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Counsel for Pennsylvania-American
Water Company

Date: February 13, 2004

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF THE
TOWNSHIP OF ROBINSON,

Complainant - Petitioner,

vs.

PENNSYLVANIA AMERICAN WATER
COMPANY,

Respondent.

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) Docket No.: C-20030092
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PETITION FOR INTERIM EMERGENCY ORDER

AND NOW COMES The Municipal Authority of the Township of Robinson ("MATR") and by its undersigned attorneys files this Petition for Interim Emergency Order pursuant to 52 Pa. Code §3.6 et seq., averring as follows:

1. On or about April 15, 2003, MATR filed a Formal Complaint and Petition for Declaratory Judgment in this matter. That Complaint is incorporated herein by reference as though more fully set forth herein.
2. In this action, MATR alleges, in short and inter alia, that Respondent Pennsylvania American Water Company ("PAWC") entered into a Water Sales Agreement dated March 28, 2003 ("Agreement") with the Western Allegheny County Municipal Authority ("WACMA") pursuant to which PAWC agreed to sell and WACMA agreed to purchase virtually all of WACMA's water needs at a rate set pursuant to a tariff rider known as "Rider DRS".

3. MATR alleges that the use of Rider DRS in this case is illegal for the reasons set forth in its Complaint and Prehearing Memorandum which documents are incorporated herein by reference as though more fully set forth herein.

4. On January 21, 2004, a hearing was held on this matter before the Honorable Frederick R. Nene, Administrative Law Judge, who presided over the hearing in the absence of the Honorable Larry Gesoff, the Administrative Law Judge to whom this case had been assigned. A full and complete record was made of the facts and circumstances pertaining to the Complaint and the alleged defenses thereto was made and the transcript thereof was filed with the Commission.

5. The Agreement was admitted into evidence at the hearing¹ and is incorporated herein by reference as though more fully set forth herein.

6. The Agreement provides, inter alia, as follows:

"The parties recognize and expressly agree that the consummation of this transaction is conditioned upon receiving approval from the PA PUC to the extent such approval is required." Par. 4.6.

"[PAWC] represents and warrants...that this Agreement shall be filed with the Pennsylvania Public Utility Commission (PUC) and is subject to review by the PUC." Par. 24.1.

7. Nevertheless, on February 4, 2004, only days after the hearing, MATR was informed that PAWC immediately commenced the sale of water pursuant to the Agreement.

8. No approval for the implementation of the Agreement was ever granted by the Commission or any Administrative Law Judge and the question of the Agreement's legality is the core issue pending before this Tribunal.

9. Chief Administrative Law Judge Christianson who adjudicated the case involving the initial approval of Rider DRS stated:

¹ The Agreement is attached to MATR Hearing Exhibit 1 as Exhibit Lenze - 9.

I do endorse the [Riders], as at least an experiment to see if they are useful and viable. . . . I remind the Company that these [Riders] will be scrutinized in subsequent cases and that it has no inherent right to, in the next rate case after a rate reduction has been granted, pass on the lost revenue to other customers. Its actions and decisions will be scrutinized by the Commission.

PUC et al. v. PAWC, 1995 Pa. PUC LEXIS 173 at *93-94 (PUC, 1995).

10. PAWC's attempted use of Rider DRS in the Agreement is clearly suspect, for the reasons set forth in MATR's Complaint; namely, that Rider DRS was never intended to be used as a competitive weapon to allow PAWC to take a customer from another water supplier; in this case, MATR.

11. By this Petition, MATR is requesting that PAWC be prohibited from selling water to WACMA pursuant to the Agreement until a final order is entered with respect to the legality of the Agreement; that is, MATR is simply requesting that the status quo be maintained until such final order is entered.

12. If this Petition is not granted, PAWC will continue to sell water at an unlawful rate because:

(a) the rate charged by PAWC pursuant to the Agreement is illegal and not otherwise authorized by the Commission; and

(b) the Public Utility Code requires that a lawful rate be charged and paid at all times; and

(c) discrimination among ratepayers arises if an unlawful rate is charged.

13. The appropriate oversight and regulation of PAWC will not be achieved if PAWC is permitted to commence service pursuant to an Agreement which has not yet been approved by the Commission and the legality of which is being challenged in a pending Commission proceeding.

14. The record of the hearing is devoid of any persuasive evidence that the use of Rider DRS is legal in this case.

15. For the reasons set forth herein, MATR's right to relief is clear. 52 Pa. Code § 3.7(a)(1).

16. MATR's need for relief is immediate because the illegal water sales commenced on February 4, 2004. 52 Pa. Code § 3.7(a)(2).

17. MATR's injury will be irreparable if the relief is not granted because MATR will lose the revenue it would charge for the sale of water to WACMA. MATR will not be able to recover such losses from either PAWC or WACMA pursuant to any cause of action. See West Penn Power Company vs. Pennsylvania Public Utility Commission et al., 150 Pa. Commw. 349, 615 A.2d 951 (1992)(economic injury can satisfy the irreparable injury requirement) and 52 Pa. Code § 3.7 (a)(3). Furthermore, PAWC's illegal use of its tariff constitutes "irreparable injury of the most serious nature and [is] a proper subject of a preliminary injunction." Pennsylvania Public Utility Commission v. Israel, 356 Pa. 400, 52 A.2d 317 at 321, 1947 LEXIS 355***7 (1947).

18. The relief requested is not injurious to the public interest. 52 Pa. Code § 3.7 (a)(4). To the contrary, the public interest will be harmed if an unlawful rate is permitted to be charged because:

(a) PAWC's rate payers will be adversely affected by PAWC's illegal use of Rider DRS in the Agreement because the rate charged pursuant to Rider DRS is approximately one-half the legal tariff rate which should apply to WACMA; and

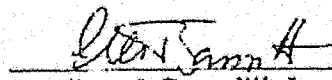
(b) the rate payers of WACMA may be obligated to pay PAWC the difference between the lawful rate and the unlawful rate in the event a final order is issued either striking down the Agreement or prohibiting sales to WACMA pursuant to Rider DRS; and

(c) MATR will be required to increase its rates by approximately 30% (see MATR Hearing Exhibit 1, pp. 25-26), chiefly because of the loss of WACMA as a customer. This increase will be burdensome and unfair to MATR's customers in both Robinson and Findley Townships because, if MATR ultimately prevails in this case, the result will have been an unnecessary rate increase paid by MATR's customers.

19. Maintaining the status quo until the issuance of a final order will lead to the fairest and most just result, a result in complete conformity with the principles of sound utility regulation.

WHEREFORE, The Municipal Authority of the Township of Robinson respectfully requests that an interim emergency order be entered barring the sale of water pursuant to the Water Sales Agreement by and between the Pennsylvania American Water Company and the Western Allegheny County Municipal Authority dated March 28, 2003 until a final order is entered.

YUKEVICH, MARCHETTI, LIEKAR
& ZANGRILLI, P.C.

By: 
Albert J. Zangrilli, Jr.

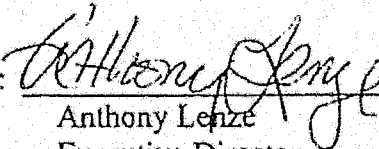
By: 
Kevin J. O'Hare

Attorneys for Complainant - Petitioner

VERIFICATION

I, Anthony Lenze, verify that I am Executive Director of the Municipal Authority of the Township of Robinson and that I am authorized to make this verification on its behalf. The statements made in the foregoing **Petition for Interim Emergency Order** are true and correct to the best of my knowledge, information and belief. I understand that false statements herein are made subject to the penalties of *18 Pa C.S. §4904*, relating to unsworn falsification to authorities.

THE MUNICIPAL AUTHORITY
OF THE TOWNSHIP OF ROBINSON

By: 

Anthony Lenze
Executive Director

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached PETITION FOR INTERIM EMERGENCY ORDER has been served on the following by e-mail and first class mail, postage prepaid, except as otherwise noted:

HONORABLE LARRY GESOFF
(lgesoff@state.pa.us)
Administrative Law Judge
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

HONORABLE ROBERT A. CHRISTIANSON
Chief Administrative Law Judge
400 North Street
Commonwealth Keystone Building
Harrisburg, PA 17105
(via Federal Express)

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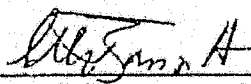
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Attorneys for Western Allegheny County Municipal Authority, Proposed Intervenor

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Chief Counsel
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265
(via first class mail only)

DATE. February 12, 2004



ALBERT J. ZANGRILLI, JR.

DOCKETED
MAR 09 2004

**DOCUMENT
FOLDER**

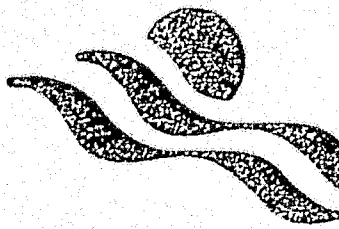
EXCERPTS OF THE RECORD
TAKEN AT DOCKET NO. R-00943231
(PAWC'S 1994-1995 RATE PROCEEDING)
RELATING TO THE INTENDED SCOPE AND PURPOSE
OF PAWC'S COMPETITIVE RATE RIDERS

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PAWC Ex 3-A
C-20030092
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PITTS
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**INDEX OF PUBLIC DOCUMENTS
TAKEN FROM THE RECORD OF PROCEEDINGS
AT DOCKET NO. R-00943231**

- 1 PAWC Statement No. 5, pp. 5-6
(the Direct Testimony of Robert L. Robowski)
- 2 OTS Statement No. 3, pp. 4, 7-8
(the Direct Testimony of David F. Keim)
- 3 Transcript, pp. 328-329
(Cross Examination of William M. Stout)
- 4 Transcript, pp. 398-399
(Cross-Examination of Robert L. Robowski)
- 5 PAWC Initial Brief, p. 103
- 6 OTS Main Brief, pp. 36, 40-41
- 7 OTS Reply Brief, p. 18



Pennsylvania-American Water Company

PAWC STATEMENT NO. 5

DIRECT TESTIMONY
OF
ROBERT L. ROBOWSKI

WITH REGARD TO
THE COMPANY'S RATE DESIGN PROPOSAL,
ITS CLAIM FOR OTHER RETIREMENT BENEFITS,
PENSIONS, AND THE STATUS OF ITS ONGOING
CUSTOMER CLASS DEMAND STUDY

1 During this process, Mr. Stout was provided the
2 guidance necessary to develop the various rates
3 proposed in this case.

4 9. Q. What specific rate design guidelines were provided to
5 Mr. Stout?

6 A. Mr. Stout was requested to design rates consistent with
7 the goal of Single Tariff Pricing; to retain existing
8 customer service charges and the present \$240 "target"
9 rate for public fire protection; and to increase rates
10 by customer class in a gradual manner taking into
11 account the results of the Customer Class Demand Study.

12 10. Q. Are there any other tariff changes which are being
13 proposed in this rate filing?

14 A. Yes. The Company is proposing to add riders to its
15 existing industrial and sale for resale tariff
16 schedules that would enable it to separately negotiate
17 rates with qualifying high load factor customers who
18 can establish (1) that they have available to them a
19 viable competitive alternative to service from PAWC
20 (e.g., the development of their own supply sources, the
21 relocation of facilities, the installation of recycling
22 equipment) and (2) that they intend to pursue that
23 alternative to the detriment of PAWC and its other
24 customers. In addition, the Company is proposing to
25 add Rate EGS, which would provide it similar

1 negotiating flexibility when dealing with cogenerators
2 and other electric generating facility customers.
3 These initiatives are being recommended by PAWC to
4 enhance its ability to maintain its existing customer
5 base and, hopefully, attract new customers.

6 11. Q. Please describe the Company's claim for OPEBs.

7 A. The Company's claim for OPEBs totals \$4,716,484 and was
8 developed in the same manner as presented to and
9 approved by the Commission in PAWC's last two rate
10 proceedings. As set forth at page 39 of Exhibit 3-A,
11 it consists of two components: (1) \$4,493,572 in
12 annualized benefit costs; and (2) \$222,912 annual
13 amortization of OPEB expense incurred in the first
14 quarter of 1993. Of these amounts, \$573,053 has been
15 capitalized. The foregoing figures are based on the
16 latest forecast by the Company's outside actuary,
17 Towers Perrin, and the supporting calculations have
18 been submitted with this filing at Exhibit 3-E, Book 3
19 of 7, pages 89 90.

20 12. Q. Please describe the Company's claim for pension
21 expense.

22 A. The Company's claim for pension expense, which is set
23 forth at page 40 of Exhibit 3-A, equals \$2,302,582. Of
24 this amount, \$279,764 has been capitalized and the
25 remaining \$2,022,818 charged to operating expense. As

OTS Statement No. 3
Witness: David F. Keim
Date: February 10, 1995

Pennsylvania Public Utility Commission

v.

Pennsylvania-American Water Company

R-00943231

Direct Testimony

of

David F. Keim

Concerning

Cost of Service and Rate Design

1
2 Q. WHY HAS THE COMPANY PROPOSED THESE TARIFFS?

3 A. According to Company witness Robowski, Rider DIS and Rider
4 DRS were proposed in order to retain those high load factor
5 customers that may have an available competitive alternate
6 water supply source and intend to pursue such an option to
7 the detriment of PAWC and its customers. Rate ECS was
8 proposed in order to give the Company negotiating
9 flexibility with cogenerators and other electric generating
10 customers. These three tariffs were proposed by the Company
11 in order to enhance its ability to maintain its existing
12 customer base and to attract new customers (PAWC Statement
No. 5, pp. 5-6).

14
15 Q. WHAT ARE YOUR OBJECTIONS TO THE COMPANY'S PROPOSED TARIFFS?

16 A. I disagree with some of the terms included in the proposed
17 tariffs.

18
19 Q. WHAT ARE YOUR OBJECTIONS TO RIDER DIS - DEMAND-BASED
20 INDUSTRIAL SERVICE AND RIDER DRS - DEMAND-BASED RESALE
21 SERVICE?

22 A. I have several objections to these proposed tariffs. My
23 first objection is the proposed tariff language which gives
24 PAWC the discretion to require documentation to establish
25 the existence of a competitive alternative. Any customer
5 applying for service under these riders will be a large

Q. DO YOU HAVE A SPECIAL CONCERN REGARDING NEW CUSTOMERS TAKING SERVICE UNDER RIDERS DIS AND DRS?

A. Yes. Initially, the Company may have sufficient capacity on its system to serve new customers taking service under these tariffs. However, in conjunction with normal growth on the system, these customers may accelerate the need for the Company to expand facilities during the contract period of the service agreements. The Commission should not permit the Company to charge rates that provide for only a partial recovery of fixed costs under these circumstances. As discussed under Rate ECS, the Company should be required to include a provision in the service contract that will allow for increased rates to recover a proportionate share of the increased cost of service.

Q. WHAT COSTS SHOULD THE COMPANY CHARGE TO NEW CUSTOMERS UNDER EACH OF THESE RIDERS?

A. For new customers under these Riders, the cost should, at a minimum, be comprised of (1) base cost of water; (2) recovery of the applicable customer costs; (3) the fixed cost for recovery of any new facilities to serve that customer; (4) contribution to the fixed costs of existing plant; and (5) a proportionate share of any future costs incurred by the Company as a result of that customer's presence on the system.

2 Q. WILL THERE BE ANY IMPACT ON CURRENT RATEPAYERS OF THE
3 COMPANY IF EXISTING OR NEW CUSTOMERS PAY LESS THAN THE
4 OTHERWISE APPLICABLE TARIFF RATE?

5 A. No. Since there will be no customers taking service under
6 these tariffs before the conclusion of this rate proceeding,
7 there will be no impact on the revenue burden of the other
8 rate classes. Any impact resulting from the operation of
9 these riders would only be evident when the revenues are
10 included in a subsequent rate proceeding. At such time, the
11 results of these tariffs should be examined by parties to
12 the rate proceeding in order to assess the impact on all
13 customers.

14
15 PUBLIC FIRE PROTECTION

16
17 Q. HAS THE COMPANY PROPOSED AN INCREASE FOR PUBLIC FIRE
18 PROTECTION SERVICE IN THIS PROCEEDING?

19 A. Yes, however, the only Public Fire Protection Service rates
20 reflecting an increase are for the Brownsville and
21 California rate areas (OTS Exh. No 3, Sch. 3, pp. 1-2). The
22 Company shows that 17,968 of its 18,326 public hydrants
23 (98%) will not receive an increase from the present rate of
24 \$240.00 per year. Overall, the increase to Public Fire
25 Protection Service is .2% as compared to the system average
26 increase of 9.6% (PAWC Exh. No. 3-C, Sch. A).

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

----- x
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
Investigation into a proposed \$16,981,106 : R-943231C0001
annual rate increase. : through
: R-943231C0009

Further Hearing :
:----- x

Pages 255 through 439

Hearing Room No. 2
North Office Building
Harrisburg, Pennsylvania

Wednesday, January 25, 1995

Met, pursuant to adjournment, at 10 05 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

APPEARANCES:

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Harrisburg, Pennsylvania 17120
(For Office of Consumer Advocate)

Commonwealth Reporting Company, Inc.
700 Lisburn Road
Camp Hill, Pennsylvania 17011
(717) 761-7150 (800) 334-1063

1 BY MR. DOUGHERTY.

2 Q. Mr. Stout, following up on the Judge's question,
3 are large industrials being adversely affected by
4 consolidation of company plant?

5 A. I don't know.

6 Q. Are you familiar with the three rate riders that
7 are being proposed by the company in this proceeding for the
8 first time?

9 A. Yes, I am.

10 Q. Did you propose these riders to the company?

11 A. I did not propose them. The company and I have
12 discussed this particular issue for a number of years, and
13 we worked together on developing them

14 Q. Do you have any knowledge of like riders for
15 other water utilities in Pennsylvania?

16 A. I do not have knowledge of like riders for other
17 water utilities, but I do for energy utilities.

18 Q. For energy?

19 A. Yes.

20 Q. Would you consider these riders economic
21 development riders as in electric energy utilities, sir?

22 A. I believe that in some instances the use of the
23 rider would promote economic development, but I do not
24 necessarily believe that that is their entire intent.

25 Q. To what instances are you referring, Mr. Stout?

1 A. Instances in which, as a result of the
2 availability of the rider, a customer would locate in the
3 company's territory as opposed to locating elsewhere.

4 Q. So in that regard, you would agree with me that
5 they are economic development riders?

6 JUDGE CHRISTIANSON. They could have that impact at
7 least.

8 THE WITNESS: I believe my statement was that it
9 could have that benefit, but that is not their total intent.

10 BY MR. DOUGHERTY:

11 Q Would you agree that Rider DIS was designed to
12 attract and maintain customers in the company's service
13 territory?

14 A. Yes.

15 Q. What percentage of industrial customers, Mr.
16 Stout, are eligible for Rider DIS?

17 A. I have not made that determination.

18 Q. Would you know, looking at your Schedule H of
19 your exhibit, how many of those customers therein listed
20 would be eligible for Rider DIS, Mr. Stout?

21 A. If we relied on the data presented therein with
22 respect to the load factors over some period of time to
23 which those customers could commit, and also to the average
24 usage during the past several years, that data would enable
25 one to determine if the customer is eligible for that rider.

1 are numerous cost factors that affect the decision of a
2 business when it's deciding where to locate?

3 A. Oh, I'm sure that's true.

4 Q. How does the company intend to evaluate the
5 importance of the cost of water in that decision in order to
6 determine whether and to what extent a discount is required
7 to attract a new customer?

8 A. I think in that -- did you say an existing
9 customer or a new customer?

10 Q. No. A new customer.

11 A. A new customer.

12 Q. We're talking about a business which is
13 considering --

14 A. Moving into the area.

15 Q. -- locating into the company's service
16 territory.

17 A. Okay. Well, I think, again, the company is
18 looking at a rate that will be sufficient to cover the cost
19 of production of that water, the cost of the facilities and
20 some contribution to the fixed costs of the rate class.
21 Now, we are not going to go out and just because it's nice,
22 because a customer is going to move into the area, give them
23 water for a dollar a thousand. That does not benefit
24 anyone.

25 Q. So you can agree with me then that in

1 negotiating the price for potential customers under these
2 new proposals, the company should attempt to insure that the
3 remaining customers are better off by retaining customers at
4 a discounted rate than they would be if they were lost at
5 the full tariff rate?

6 A. If they were lost at the full tariff rate and --
7 I'm not too sure I understand your question. If you're
8 saying that the existing customers would be better off from
9 having this new customer on the system, contributing some
10 amount toward the fixed costs of that class of customers
11 plus paying all of the costs to produce the water and the
12 facilities required to serve that customer, I would say yes.
13 Now, would they be as well off if that customer paid the
14 tariff rate? No, they would not. And again, that customer
15 may not move onto the system if that were the case either.

16 Q. Well, right. In the case of a potential
17 customer, the company would want to insure that the existing
18 body of customers is better off if the new customer is added
19 at a lower rate than not acquiring that customer at all?

20 A. Yes. Or at least not worse off.

21 JUDGE CHRISTIANSON: I think that's a bare minimum to
22 avoid unreasonable discrimination. You might want to get a
23 bigger contribution if possible, but that gets to be a
24 troublesome problem.
25

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, ET AL.

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

:
:
:
: Docket No. R-00943231
: (1994)
:
:

INITIAL BRIEF OF RESPONDENT
PENNSYLVANIA-AMERICAN WATER COMPANY

Before Administrative Law Judge
Robert A. Christianson

Thomas P. Gadsden
Anthony C. DeCusatis

Counsel for Pennsylvania-
American Water Company

OF COUNSEL:

MORGAN, LEWIS & BOCKIUS
2000 One Logan Square
Philadelphia, Pennsylvania 19103
(215) 963-5234

DATE: April 18, 1995

documented the existence of a viable alternative to PAWC's water service, then no volumetric threshold should apply (PAWLUG St. 1, pp. 22-23). Dr. Romancheck's proposal is unacceptable in several important respects.

First, at this juncture, the Company sees no valid reason to offer to negotiate a below-tariff rate with an industrial customer that does not have a viable competitive alternative to PAWC's water service. The concept underlying the Company's position in this case is that its proposal will permit it the flexibility to negotiate rates that retain or attract load that otherwise would be lost or never come on-line. And, while the negotiated rates would be below standard tariff charges, they would provide a contribution to the Company's fixed cost recovery that otherwise would not occur. Absent the requirement of a viable competitive alternative, there would not appear to be a sound economic basis for offering a rate discount.

Second, as Mr. Robowski explained (PAWC St. 5-R, pp. 4-5), there is no valid reason to offer discounted rates to poor load factor customers. In addition to retaining or attracting incremental load, the riders can function as a demand management tool by creating an incentive for large industrial customers to improve their load factors (see PAWC St. 5-R, p. 4). This consideration also undercuts Dr. Romancheck's argument that the allegedly undue restrictiveness of the proposed eligibility

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No.
R-00943231

MAIN BRIEF
OF THE
OFFICE OF TRIAL STAFF

Wayne T. Scott
Stephen Gorka
Prosecutors
Office of Trial Staff

Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated: April 18, 1995

C. RATE STRUCTURE

1. The Commission Should Modify The Company's Proposed Competitive Tariffs.

PAWC has proposed three competitive service tariffs which, according to the Company, will enable it to address competitive concerns from other sources. These riders are Rider DIS - Demand-Based Industrial Service, Rider DRS - Demand-Based Resale Service and Rate EGS - Electric Generation Service. The Company contends that Rider DIS, DRS and Rate EGS are necessary to enhance its ability to maintain its existing customer base and to attract new customers.

The Company proposes that Rider DIS - Demand-Based Industrial Service will be available to any industrial customer that agrees to purchase 20 million gallons of water per month at a daily load factor of not less than 60%. The load factor is best defined as the ratio of the average water use to the peak usage. In addition to this provision, Rider DIS would only be available to those customers who have a viable competitive water service alternative and could use this alternative source to the resulting detriment of PAWC's revenue requirement by those customers leaving the Company's system. The Company, according to this proposed tariff, may require documentation to establish the existence of a competitive alternative. See OTS Exhibit No. 3, Schedule 1, Page 1 of 3.

In examining Riders DIS, DRS and Rate EGS, OTS recommends that the tariff language should include provisions providing for a minimum rate which will be designed to recover:

- (1) The base cost of water;
- (2) All customer related costs;
- (3) A fixed cost to fully recover the total cost of any new facilities specifically constructed to serve this customer; and
- (4) A contribution to fixed cost for existing plant.

It is OTS' position that in relation to new customers, the Commission should also require the Company to include a provision in the service contract that will allow for an increase in rates to recover a proportionate share of any increased cost of service resulting from the need to expand source of supply, storage, treatment or delivery facilities due to the addition of this customer. This provision should be in effect during the course of the entire contract period.

At the current time, only one of PAWC's customers will be directly affected by the adoption of these riders. Therefore, if these riders are implemented, all customers, with the exception of one, will be new customers under these riders. It is OTS' position that, for new customers under these riders, the minimum costs should also include a proportionate share of any

future costs incurred by the Company as a result of that customer's presence on the system.

This distinction between an existing customer and new customers on the system is due to the fact that an existing customer, at the present time, may not cause the Company to build any new facilities since that customer's load is already being serviced by PAWC. Though, over time, that customer's load along with the normal growth on the system may cause the Company to expand existing facilities, this will probably not occur in the short run. On the other hand, one or more new customers may wish to take advantage of PAWC's proposed competitive tariffs. This may cause the Company to incur large costs in the future as a result of those customers' relatively sudden presence on the system and cause an increase in plant costs. See OTS Stmt. 3, Page 7.

OTS contends that even though the Company may have sufficient capacity on its system to serve new customers taking service under these riders, the combination of new load in conjunction with normal growth on PAWC's system, may accelerate the need for the Company to expand facilities during the contract period of the service agreement. OTS submits that the Commission should not permit the Company to charge rates that provide for only a partial recovery of fixed costs under these circumstances. Instead, the Company should be required to include a provision in the service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No.
R-00943231

REPLY BRIEF
OF THE
OFFICE OF TRIAL STAFF

Wayne T. Scott
Stephen Gorka
Prosecutors
Office of Trial Staff

Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated: April 28, 1995

PAWC's water service. See PAWLUG St. 1, pp. 22-23 and PAWLUG M.B., pp. 17-22.

Initially, it is OTS' position that the legality of incentive programs, generally, is not in question. However, these incentive programs should be implemented fairly and reasonably. OTS contends that the modifications recommended by PAWLUG are unreasonable and unnecessary. This is because, contrary to PAWLUG's assertion at p. 13 of its Main Brief, there is an added expense to other ratepayers when PAWC contracts with a customer under one of these proposed tariff changes and PAWLUG would not require a specific showing of an alternative source.

As stated in OTS' Main Brief, it is OTS' position that PAWLUG's recommendations should be rejected. If Rider DIS is approved and PAWLUG's recommendation are adopted, it is likely that the Company will experience a significant revenue shortfall, the magnitude of which PAWLUG's witness Romanchek has not quantified. See N.T., p. 1181.

OTS contends that it is not reasonable to expand any of these proposed competitive tariff changes at the present time. The purpose for these changes should be to allow PAWC the flexibility to negotiate rates that retain or attract loads that otherwise would be lost. The purpose of these changes is not to give lower rates to any customers that wants them. Therefore, absent a showing by a customer that there is a viable competitive alternative, it is not

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

THE MUNICIPAL AUTHORITY OF
THE TOWNSHIP OF ROBINSON
(ALLEGHENY COUNTY)

v.

PENNSYLVANIA-AMERICAN WATER
COMPANY

DOCKET NO. C-20030092

DOCUMENT
FOLDER

DOCKETED
MAR 09 2004

DIRECT TESTIMONY OF
WILLIAM M. STOUT, P.E.

ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER COMPANY

PAWC STATEMENT NO 3

NOVEMBER 17, 2003

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PAWC Stmt. 3
C-20030092
1-21-04
PITTS
BAS

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

RE: PENNSYLVANIA-AMERICAN WATER COMPANY
DOCKET No. C-20030092

DIRECT TESTIMONY OF WILLIAM M. STOUT

1 Q. Please state your name and address.

2 A. My name is William M. Stout and my business address is Gannett Fleming, Inc.,
3 207 Senate Avenue, Camp Hill, PA 17011.

4 Q. Please state your present position and qualifications.

5 A. My present position is President of the Valuation and Rate Division of Gannett
6 Fleming, Inc. I direct studies concerning service life and net salvage for property
7 of gas, water, electric, telephone and railroad utilities, and direct rate studies
8 including customer demand, cost of service allocations, and rate design for water,
9 sewer and gas utilities. I supervise studies involving time value of money as
10 related to economic choice and public utility ratemaking; and provide support for
11 the work performed under my direction through expert testimony.

12 My experience has related to many areas of public utility regulation,
13 including valuation, service life, salvage, depreciation, cost of service allocation
14 and rate design. The scope of my cost of service activities has included the
15 selection of customers to be demand-metered, the analysis of recorded customer
16 demands, the development of cost allocation factors, the allocation of costs, the
17 analysis of customers' consumption, the application of present and proposed
18 rates to the consumption analysis, the design of rate structures, and the
19 preparation of reports presenting the results of the studies.

1 I have a Bachelor of Science degree in Management Engineering from
2 Rensselaer Polytechnic Institute. I am a registered engineer in the
3 Commonwealth of Pennsylvania; and am a member of the National and
4 Pennsylvania Societies of Professional Engineers, the Institute of Industrial
5 Engineers, the Society of Depreciation Professionals (SDP), the American Water
6 Works Association (AWWA), and the National Association of Water Companies
7 (NAWC). I am a former member of the Rates & Charges Subcommittee of
8 AWWA and the Accounting Services Committee of AGA, and a past president of
9 SDP.

10 Since January 1978, I have testified in support of the studies conducted
11 under my direct supervision. In January 1980, I was assigned to the position of
12 Manager of Depreciation and Cost Allocation Studies conducted by the Valuation
13 Division. In June 1982, subsequent to a corporate reorganization, I became a
14 Vice President of Gannett Fleming Valuation and Rate Consultants, Inc. I
15 became a Senior Vice President in 1991 and attained my current position of
16 President in 1994.

17
18 **Q. Have you previously testified before any regulatory agencies?**

19 **A.** Yes. Since January 1978, I have testified in support of depreciation and cost
20 allocation and rate design studies for numerous water, electric, gas, and
21 telephone utilities. I have testified before the Pennsylvania Public Utility
22 Commission, the Georgia Public Service Commission, the Public Service
23 Commission of Indiana, the New York Public Service Commission, the New

1 Jersey Board of Public Utility Commissioners, the Missouri Public Service
2 Commission, the Alaska Public Utilities Commission, the California Public Utility
3 Commission, the Texas Public Utility Commission, the National Energy Board,
4 the Alberta Energy & Utilities Board, the Newfoundland Board of Commissioners
5 of Public Utilities, the Canadian Radio-Television and Telecommunications
6 Commission, the Federal Energy Regulatory Commission, and the United States
7 Tax Court ~~on the subject of depreciation.~~

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to explain that Pennsylvania-American Water
10 Company's Rider DRS (Demand Resale Service) was developed and
11 implemented not only to retain existing customers, but also to attract new
12 customers.

13 **Q. Did you participate in the development of Rider DRS as it was filed with and**
14 **approved by the Pennsylvania Public Utility Commission in Docket No. R-**
15 **0943231?**

16 A. Yes, I did. I participated in numerous discussions with Mr. Robert L. Robowski,
17 Director of Rates and Revenues, and Mr. James Harrison, Treasurer, of
18 Pennsylvania-American Water Company at that time; conducted analyses of the
19 costs of operation to be reflected in the contract rates pursuant to the rider; and
20 assisted in writing the terms of the rider. I was the Company's witness in that
21 proceeding responsible for the design of customer rates.

1 Q. What is the purpose of Rider DRS?

2 A. The purpose of Rider DRS is to retain and attract Sales for Resale customers that
3 might otherwise use alternative sources of water supply in such a manner that a
4 contribution toward the Company's fixed costs is received, thereby reducing the
5 amount of fixed costs to be recovered from other customers.

6 Q. What is the basis for your statement that Rider DRS is intended to attract
7 Sales for Resale customers?

8 A. My conclusion that Rider DRS is intended to attract Sales for Resale customers is
9 based on my discussions with Company officials at the time and the tariff's
10 incorporation of the cost of new facilities as a part of the Minimum Rate. The
11 construction of new facilities would be for the purpose of serving a new customer.
12 This makes clear that the rider is intended to attract new customers as well as
13 retaining existing customers for which new facilities would not be required.

14 Q. Is there any other evidence in the tariff to support your conclusion?

15 A. Yes. At the same time that Rider DRS was filed and approved, Rider EGS
16 (Electric Generation Service) also was filed and approved. Rider EGS is
17 constructed in a manner similar to Rider DRS. At the time, the Company did not
18 have any Electric Generation customers. This is further evidence of the intent of
19 these riders to attract new customers.

20 Q. Does this conclude your direct testimony?

21 A. Yes, it does.

EXCERPTS FROM THE RECORD TAKEN
AT DOCKET NO. R-00943231
(PAWC'S 1994-1995 RATE PROCEEDING)
RELATING TO THE INTENDED SCOPE AND PURPOSE
OF PAWC'S RATE RIDERS DRS, DIS AND EGS

DOCUMENT
FOLDER

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MATR HEARING

EXHIBIT 5

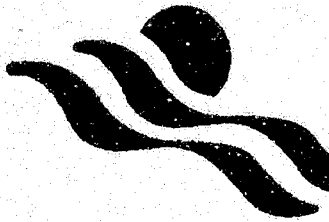
MATR EX 5
C-20030092
1-21-04
PITTS
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**INDEX OF PUBLIC DOCUMENTS
TAKEN FROM THE RECORD OF PROCEEDINGS
AT DOCKET NO. R-00943231**

1. PAWC Statement No. 5, pp. 5-6
(Direct Testimony of Robert L. Robowski)
2. Transcript, pp. 392-399, 423-425
(Cross-Examination of Robert L. Robowski)
3. PAWC Statement No. 5-R, pp. 3-4
(Rebuttal Testimony of Robert L. Robowski)
4. Transcript, pp. 1147-1148, 1154-1156
(Cross-Examination of Robert L. Robowski)
5. Transcript, pp. 328-329
(Cross-Examination of William M. Stout)
6. PAWLUG Statement No. 1, pp. 20-23
(Direct Testimony of Dr. Robert Romancheck, P.E.)
7. Transcript, pp. 847-851, 858-861
(Cross-Examination of Dr. Robert Romancheck, P.E.)
8. PAWLUG Statement No. 1-R, pp. 20-23
(Rebuttal Testimony of Dr. Robert Romancheck, P.E.)
9. Transcript, pp. 1181-1182
(Cross-Examination of Dr. Robert Romancheck, P.E.)
10. OTS Statement No. 3, pp. 2-4
(Direct Testimony of David F. Keim)
11. Transcript, pp. 716, 721-722, 734, 737-740, 749-751, 758
(Cross-Examination of David F. Keim)
12. OTS Statement No. 3-R (Revised), p. 3
(Rebuttal Testimony of David F. Keim)
13. Transcript, pp. 1170-1171
(Cross-Examination of David F. Keim)

14. ARMCO Statement No. 1-R, pp. 2-73
(Rebuttal Testimony of Brian Kalcic)
15. Transcript, pp. 1190, 1196-1199
(Cross-Examination of Brian Kalcic)
16. Transcript, pp. 768-769, 776, 780-784
(Cross-Examination of Thomas S. Catlin)
17. Transcript, pp. 1206-1214
(Surrebuttal and Cross-Examination of Thomas S. Catlin)

R-943231



Pennsylvania-American Water Company

PAMC STATEMENT NO. 5

DIRECT TESTIMONY
OF
ROBERT L. ROBOWSKI

WITH REGARD TO
THE COMPANY'S RATE DESIGN PROPOSAL,
ITS CLAIM FOR OTHER RETIREMENT BENEFITS,
PENSIONS, AND THE STATUS OF ITS ONGOING
CUSTOMER CLASS DEMAND STUDY

1 During this process, Mr. Stout was provided the
2 guidance necessary to develop the various rates
3 proposed in this case.

4 9. Q. What specific rate design guidelines were provided to
5 Mr. Stout?

6 A. Mr. Stout was requested to design rates consistent with
7 the goal of Single Tariff Pricing; to retain existing
8 customer service charges and the present \$240 "target"
9 rate for public fire protection; and to increase rates
10 by customer class in a gradual manner taking into
11 account the results of the Customer Class Demand Study.

12 10. Q. Are there any other tariff changes which are being
13 proposed in this rate filing?

14 A. Yes. The Company is proposing to add riders to its
15 existing industrial and sale for resale tariff
16 schedules that would enable it to separately negotiate
17 rates with qualifying high load factor customers who
18 can establish (1) that they have available to them a
19 viable competitive alternative to service from PAWC
20 (e.g., the development of their own supply sources, the
21 relocation of facilities, the installation of recycling
22 equipment) and (2) that they intend to pursue that
23 alternative to the detriment of PAWC and its other
24 customers. In addition, the Company is proposing to
25 add Rate EGS, which would provide it similar

1 negotiating flexibility when dealing with cogenerators
2 and other electric generating facility customers.
3 These initiatives are being recommended by PAWC to
4 enhance its ability to maintain its existing customer
5 base and, hopefully, attract new customers.

6 11. Q. Please describe the Company's claim for OPEBs.

7 A. The Company's claim for OPEBs totals \$4,716,484 and was
8 developed in the same manner as presented to and
9 approved by the Commission in PAWC's last two rate
10 proceedings. As set forth at page 39 of Exhibit 3-A,
11 it consists of two components: (1) \$4,493,572 in
12 annualized benefit costs; and (2) \$222,912 annual
13 amortization of OPEB expense incurred in the first
14 quarter of 1993. Of these amounts, \$573,053 has been
15 capitalized. The foregoing figures are based on the
16 latest forecast by the Company's outside actuary,
17 Towers Perrin, and the supporting calculations have
18 been submitted with this filing at Exhibit 3-E, Book 3
19 of 7, pages 89-90.

20 12. Q. Please describe the Company's claim for pension
21 expense.

22 A. The Company's claim for pension expense, which is set
23 forth at page 40 of Exhibit 3-A, equals \$2,302,582. Of
24 this amount, \$279,764 has been capitalized and the
25 remaining \$2,022,818 charged to operating expense. As

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

----- x
 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0009

Further Hearing
 :
 :
 ----- x

Pages 255 through 439

Hearing Room No. 2
 North Office Building
 Harrisburg, Pennsylvania

Wednesday, January 25, 1995

Met, pursuant to adjournment, at 10:05 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

APPEARANCES:

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C O N T E N T S

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
William M. Stout				
By Mr. DeCusatis	258	---	---	---
By Mr. Scott	---	262	---	---
By Ms. Dusman	---	264	---	---
By Mr. Ryan	---	270	---	---
By Mr. Dougherty	---	298	---	---
By Mr. Boehm	---	339	---	---
By Mr. Douglass	---	351	---	---
Robert L. Robowski				
By Mr. Scott	---	381	---	---
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By Mr. Douglass ✓	---	405	---	---
By Mr. Ryan	---	417	---	---
By Mr. Dougherty	---	423	---	---
By Mr. Boehm	---	432	---	---
By Mr. DeCusatis	---	---	436	---

E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
---------------	---------------------------	--------------------

Pennsylvania-American Water Company

Statement No. 9 (Stout)	---	261
Exhibits Nos. 9-A through 9-C (Stout)	---	261
Exhibit 4-A (Service Company Contract)	---	438
Exhibit 10-B (Errata Sheet to PAWC Statement No. 10-Hanley)	438	438

Office of Small Business Advocate Cross-Examination Exhibits

1 (Response to OSBA Interrogatory No. 16)	281	337
2 (Response to OCA Interrogatory No. II-22)	293	337

1 Q. But that customer would not be interested in
2 taking service before the year 1997; is that correct?

3 A. That's correct.

4 Q. Does the company know of any current customer
5 who might be eligible or potentially eligible for Riders DIS
6 or DRS which have viable alternative water supplies at this
7 time?

8 A. I have not seen any evidence that there are any
9 customers that have viable alternatives at this time. That
10 does not mean that they aren't out there.

11 Q. But you don't know of any as we sit here today.
12 So the long and short is that the company doesn't anticipate
13 making use of any of these three proposed riders in the near
14 future?

15 A. I can't answer that.

16 Q. Well, if you don't know --

17 A. That's up to our customers. If there are
18 customers out there that think they have viable alternatives
19 -- and like I've said in my response to OSBA-I-32, there are
20 several customers besides Armco that come awfully, awfully
21 close to qualifying, under both consumption and load
22 factors, that have the potential I would think in the near
23 future to maybe qualify for those riders. So I can't answer
24 your question truthfully that there aren't any customers
25 that may take advantage of this relatively soon.

1 Q. Okay. Fair enough.

2 Now, just so I'm clear on how the minimum rates or
3 negotiated rates would be set, I believe you provided in
4 response to OTS-RS-6(d) that the negotiated minimum rate to
5 a customer pursuant to one of these riders would really have
6 three components. One would be the cost to produce the
7 water that that customer uses.

8 A. Yes.

9 Q. Is that right?

10 A. That's correct.

11 Q. And then another would be the fixed costs
12 associated with the new facilities which the company would
13 have to add to serve the customer; correct?

14 A. That's correct.

15 Q. And that would include things such as a demand
16 meter?

17 A. Yes.

18 Q. And then plus some contribution toward system
19 fixed costs?

20 A. That's right.

21 Q. So those three items would be part of the
22 negotiated rate?

23 A. That's right.

24 Q. Now, when you refer to the fixed costs
25 associated with new facilities added to serve customer, help

1 me with this, does that mean that an existing customer's new
2 rate would not include the cost of facilities directly
3 required to serve that customer, such as meters, service
4 lines, mains or whatever that are already in place serving
5 that customer?

6 A. Are you talking about existing customers?

7 Q. Yes.

8 A. No. I don't think that means that at all.

9 Q. Okay. So that would be part of the rate of an
10 existing customer who may become eligible under the new --

11 A. That's correct.

12 Q. Can you elaborate on how that would be
13 determined, how you would negotiate a rate with an existing
14 customer?

15 A. With an existing customer?

16 Q. Yes.

17 A. I think you would negotiate a rate with an
18 existing customer by determining, first of all, whether he
19 qualifies as far as the load factor, the consumption factor,
20 and has some kind of viable alternative supply. After you
21 have done that, then I think you have to negotiate with him
22 to establish service charge, some kind of charge for maximum
23 usage or maximum demand, some kind of rate for average
24 demand, and some volumetric rate. Now, included in all
25 those various components is the cost to provide service to

1 that customer.

2 Q. And that would include the cost of existing
3 plant that serves that customer?

4 A. At least some portion of the existing plant.

5 Q. You're nodding yes, but that doesn't get picked
6 up in the transcript.

7 A. I said that implies some portion of the existing
8 facilities.

9 Q. Would that pricing floor that is described in
10 your response to OTS-RS-6(d) also apply to the electric
11 generation service tariff?

12 A. The floor that they would have to pay for the
13 cost to produce the water, the cost of the new facilities,
14 if any, yes.

15 Q. Can you agree with me that the way you've
16 described the negotiated price might be also described as
17 short-term marginal cost plus a contribution to system cost?

18 A. I guess you could describe it however you'd
19 like, but what I described is what we have envisioned the
20 negotiation process to be.

21 Q. Do you agree, Mr. Robowski, that the company has
22 a responsibility to maximize the contribution to system
23 costs which would be obtainable from the DIS, DRS or EGS
24 customers?

25 A. I think the company has a responsibility that if

1 it is given the ability to retain a customer by the
2 Commission, to retain that customer and not to willy-nilly
3 just let that customer leave the system and thereby pass on
4 whatever cost contribution that customer has currently
5 contributing to disappear and have the other customers pick
6 it up.

7 JUDGE CHRISTIANSON: But in theory, you would go down
8 only as far as you have to in order to keep the customer.

9 THE WITNESS: Absolutely.

10 BY MS. DUSMAN:

11 Q. Can you get a little bit more specific on how
12 the company would determine, in the course of negotiating
13 rates for these new rider customers, what the maximum
14 contribution is going to be?

15 A. I don't know that I can. I think what I have
16 tried to express to you, that a dollar's worth of revenue
17 from an existing customer that does not leave the system is
18 better than an existing customer leaving the system
19 entirely.

20 JUDGE CHRISTIANSON: Again, I seem to recall this
21 being talked about with a lot of gas companies over the last
22 few years.

23 BY MS. DUSMAN:

24 Q. I notice though, reading the proposed DIS rider,
25 although I think it's also similar in the DRS rider, that

1 the company may require documentation to establish to the
2 company's satisfaction the existence of a competitive
3 alternative, but it sounds as if that's a discretionary
4 item.

5 JUDGE CHRISTIANSON: You'd rather see the word
6 "will," perhaps, there.

7 MS. DUSMAN: I think I would rather, Your Honor.

8 BY MS. DUSMAN:

9 Q. Can you agree with me that it sounds sort of
10 discretionary, that you can require it if you want to but
11 you need not --

12 A. It may sound that way.

13 Q. And the documentation may include, but is not
14 limited to, an affidavit of the customer, or if the customer
15 is a corporation, an affidavit of one or more of its
16 officers; right?

17 A. Yes.

18 Q. There is no requirement that a, for example,
19 cost study be done to demonstrate to Pennsylvania-American
20 that in fact a competitive alternative exists and what that
21 would cost the customer if it chose to go that way, is
22 there?

23 A. I don't think that there is an absolute
24 requirement.

25 Q. Can you agree with me, Mr. Robowski, that there

1 are numerous cost factors that affect the decision of a
2 business when it's deciding where to locate?

3 A. Oh, I'm sure that's true.

4 Q. How does the company intend to evaluate the
5 importance of the cost of water in that decision in order to
6 determine whether and to what extent a discount is required
7 to attract a new customer?

8 A. I think in that -- did you say an existing
9 customer or a new customer?

10 Q. No. A new customer.

11 A. A new customer.

12 Q. We're talking about a business which is
13 considering --

14 A. Moving into the area.

15 Q. -- locating into the company's service
16 territory.

17 A. Okay. Well, I think, again, the company is
18 looking at a rate that will be sufficient to cover the cost
19 of production of that water, the cost of the facilities and
20 some contribution to the fixed costs of the rate class.
21 Now, we are not going to go out and just because it's nice,
22 because a customer is going to move into the area, give them
23 water for a dollar a thousand. That does not benefit
24 anyone.

25 Q. So you can agree with me then that in

1 negotiating the price for potential customers under these
2 new proposals, the company should attempt to insure that the
3 remaining customers are better off by retaining customers at
4 a discounted rate than they would be if they were lost at
5 the full tariff rate?

6 A. If they were lost at the full tariff rate and --
7 I'm not too sure I understand your question. If you're
8 saying that the existing customers would be better off from
9 having this new customer on the system, contributing some
10 amount toward the fixed costs of that class of customers
11 plus paying all of the costs to produce the water and the
12 facilities required to serve that customer, I would say yes.
13 Now, would they be as well off if that customer paid the
14 tariff rate? No, they would not. And again, that customer
15 may not move onto the system if that were the case either.

16 Q. Well, right. In the case of a potential
17 customer, the company would want to insure that the existing
18 body of customers is better off if the new customer is added
19 at a lower rate than not acquiring that customer at all?

20 A. Yes. Or at least not worse off.

21 JUDGE CHRISTIANSON: I think that's a bare minimum to
22 avoid unreasonable discrimination. You might want to get a
23 bigger contribution if possible, but that gets to be a
24 troublesome problem.
25

CROSS-EXAMINATION

BY MR. DOUGHERTY:

Q. Good evening, sir.

A. Good evening.

Q. Mr. Robowski, were you in the hearing room this morning when I asked Mr. Stout what percentage of industrial customers are currently eligible for Rider DIS?

A. I think I was.

Q. I think you were also. And in subsequent clarification upon questioning you referenced OSBA Set I, Question 32?

A. That's correct.

Q. So we're all on the same page, what percentage of industrial customers are currently eligible for Rider DIS?

A. I guess it would be 1 divided by 611.

Q. So less than 1 percent?

A. Yes.

Q. There is only one customer who is currently eligible; am I correct?

A. As I see it, but that doesn't mean there aren't other customers.

Q. Thank you.

Mr. Robowski, would you consider the proposed riders economic development riders?

1 A. I would not.

2 Q. You would not?

3 A. No. That is not why they are being proposed.
4 I'm not saying that in some instances you might not run into
5 that kind of situation.

6 Q. Am I correct in reading your testimony to
7 indicate that one of the purposes for Rider DIS is to
8 attract and maintain customers?

9 A. (Witness nodding head.)

10 Q. And on that basis you would say that it is, in
11 effect, an economic development rider?

12 A. In that instance, if you could attract a new
13 customer, certainly.

14 Q. Thank you.

15 So we're equally clear, Mr. Robowski, there has been
16 some discussion regarding the third prong of the eligibility
17 criteria for Rider DIS, which I believe is the viable
18 alternative.

19 A. Yes.

20 Q. How does the company intend to ascertain the
21 probability of an alternative?

22 A. I think the company will ask the prospective
23 customer to produce studies and what all alternatives they
24 have looked at for alternative service.

25 Q. So I'm clear, if an existing customer has a

1 monthly consumption rate of 20 million gallons per month.
2 has a daily load factor in excess of 60 percent, but is not
3 able to ascertain a viable alternative, then that customer
4 would not qualify?

5 A. I would tend to agree with that.

6 Q. You would agree with that proposition?

7 A. (Witness nodding head.)

8 JUDGE CHRISTIANSON: Again, the witness is nodding.

9 MR. DOUGHERTY: Yes. Thank you, Judge.

10 BY MR. DOUGHERTY:

11 Q. On the other hand, Mr. Robowski, if an existing
12 customer does not use an average of 20 million gallons per
13 month, does not have an average daily load factor of 60
14 percent, but somehow is seeking to disconnect from the
15 system or bypass the system, that customer would not be
16 offered Rider DIS?

17 A. Not as it now stands.

18 Q. Do you have in mind some change that might
19 include that situation or that type of customer for Rider
20 DIS?

21 A. We may have alternative rate design proposals in
22 the future, but we have none right now.

23 Q. None right now. How did the company determine
24 the minimum threshold of 20 million gallons per month,
25 Mr. Robowski?

Line
No.

1 declined as the result of Towers Perrin's latest report.
2 More specifically, PAWC's net annualized OPEB cost is now
3 \$3,748,729, which represents a decrease of \$139,588 from
4 the amount which I discussed when I previously testified
5 (Tr. 171-72). This decrease is attributable to the fact
6 that Towers Perrin has further reduced its estimated FAS
7 106 cost for the American Water System to \$19,024,135
8 (PAWC Exh. 5-B, p. SI-5).

9 Q. Mr. Robowski, will you now please address the issues
10 which have been raised regarding the Company's proposed
11 Riders DIS, DRS and EGS?

12 A. Yes. Contrasting positions have been expressed regarding
13 the proposed riders. For example, OCA witness Catlin
14 contends that there is no present need for the riders and
15 recommends that they be rejected in favor of a case-by-
16 case approach. PAWLUG witness Romancheck, on the other
17 hand, supports the notion of discounted rates for large
18 industrial customers and would loosen significantly the
19 eligibility criteria for Rider DIS. In my opinion, these
20 differing views confirm the reasonableness of the
21 Company's decision to proceed cautiously by establishing
22 what, in effect, is an experimental pilot program. If,
23 based on experience gained under the program, there is a
24 need to expand the availability of the riders.

Line
No.

1 appropriate steps can be taken in future rate
2 proceedings.

3 Q. Both Mr. Catlin and Dr. Romancheck observe that there is
4 only one customer which currently qualifies for Rider
5 DIS. Please comment.

6 A. While Mr. Catlin and Dr. Romancheck are correct, that
7 fact alone does not suggest a lack of present need for
8 this tariff offering or imply that the eligibility
9 criteria proposed by the Company should be loosened. By
10 making the riders available, PAWC is attempting to
11 provide its large industrial customers with an incentive
12 to improve their load factors. Significantly, there are
13 several customers, including two of Dr. Romancheck's
14 clients, which already satisfy the Rider DIS volumetric
15 threshold and which might be able to modify their
16 consumption patterns so as to satisfy the 60% load factor
17 requirement.

18 Q. Dr. Romancheck specifically recommends that the 60% load
19 factor requirement be eliminated. Do you agree?

20 A. No, I do not. Under Dr. Romancheck's proposal, any
21 customer that met his proposed volumetric threshold (i.e.
22 100,000,000 gallons per year) would be eligible for Rider
23 DIS, regardless of its load factor. I see absolutely no
24 reason to offer discounted rates to poor load factor



COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0012
 Further Hearing :
 :

-----X
 Pages 1122 through 1220 Hearing Room 2
 North Office Building
 North and Commonwealth Streets
 Harrisburg, Pennsylvania

Friday, March 24, 1995

Met, pursuant to notice, at 10:55 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

APPEARANCES:

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* * *

Commonwealth Reporting Company, Inc.

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1-800-334-1063

C O N T E N T S

WITNESSES:DIRECT CROSS REDIRECT RECROSS

Robert L. Robowski

(By Mr. Gadsden)

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(By Mr. Scott)

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(By Mr. Dougherty)

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(By Mr. Boehm)

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(By Ms. Dusman)

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(By Mr. Douglass)

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William M. Stout

(By Mr. Decusatis)

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(By Mr. Douglas)

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David Keim

(By Mr. Scott)

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(By Mr. Dougherty)

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Robert Romancheck

(By Mr. Dougherty)

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(By Mr. Scott)

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(By Mr. Boehm)

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Brian Kalcic

(By Mr. Boehm)

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1202

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(By Mr. Scott)

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(By Ms. Dusman)

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1200

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Thomas S. Catlin

(By Ms. Dusman)

1204

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(By Mr. Boehm)

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1208

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certifying reporter.

1 case how the Commission should handle those revenue
2 shortfalls in the next case; isn't that true?

3 A That is correct; we are not.

4 Q And the Commission, therefore, presumably would
5 be free to handle that allocation any way that they
6 thought was just and reasonable?

7 A That is correct.

8 Q With respect to the limitations that came on one
9 of the questions that Mr. Dougherty asked you; if, in
10 fact, the Commission should approve the Rider, for
11 instance, DIS, in the form that the Company has
12 recommended, at this moment you say there is only one
13 customer that qualifies. But I think you have said on
14 previous occasions that other customers would have the
15 opportunity of qualifying by virtue of changing, for
16 instance, their load factor volume or whatever; is that
17 true?

18 A That is correct.

19 Q If, in fact, there were no DIS Rider set forth,
20 but, in fact, the Company needed to offer a special
21 contract to one of the customers in order to retain the
22 customer, in a case where it would be economical to
23 retain the customer or customers, isn't it true, Mr.
24 Robowski, that the Company would have essentially much
25 less control over how many customers would become

1 eligible for whatever discounts were ultimately approved
2 by the Commission under those special contract cases
3 than if, in fact, the criteria were approved in advance
4 by the Commission?

5 A I think that is true, yes.

6 Q In other words, if you enter into negotiations
7 with individual customers, each party would sort of be
8 on their own as to what they thought was important
9 criteria; isn't that true?

10 A Correct.

11 Q And ultimately, if we end up in a contesting
12 proceeding in front of the Commission, there may or may
13 not be a consistent set of standards that would evolve
14 over time; is that right?

15 A I think that is correct.

16 MR. BOEHM: I have no further questions. Thank
17 you, Mr. Robowski.

18 JUDGE CHRISTIANSON: Mr. Ryan, anything?

19 MR. RYAN: No, Your Honor.

20 MS. DUSMAN: Your Honor, the previous cross
21 suggested some follow-up, if I may?

22 JUDGE CHRISTIANSON: Yes, it really does, and it
23 is an interesting point; a little like that case I have
24 on the telephone where somebody wants to compete with
25 Bell Telephone. They are breaking trails for the

1 THE WITNESS: All of the shortfall?

2 JUDGE CHRISTIANSON: That might be involved in
3 these riders.

4 THE WITNESS: Indefinitely, no, I do not.

5 JUDGE CHRISTIANSON: Okay. I didn't think you
6 would. It is just a question of how much and how long,
7 and a lot of details.

8 THE WITNESS: That is correct.

9 JUDGE CHRISTIANSON: Go ahead.

10 MR. SCOTT: Thank you. That is all I have, Your
11 Honor.

12 JUDGE CHRISTIANSON: Okay.

13 MR. DOUGLASS: Your Honor, I have one question.

14 JUDGE CHRISTIANSON: Yes, I can understand. This
15 is a peculiar situation. Go ahead.

16 CROSS-EXAMINATION

17 BY MR. DOUGLASS:

18 Q Mr. Robowski, what is the basis for the
19 distinction between requiring a two-year service
20 agreement from industrial customers and a ten-year
21 service agreement from resale customers?

22 A Well, I think the only distinction there is that
23 normally sales for resale customers are not in the same
24 position as industrial customers, and that means that
25 industrial customers have a lot of other alternatives

1 that they can consider, whether they want to stay in a
2 particular community or move out, or whether, you know,
3 their production would be more beneficial in one area or
4 another; and the longer period of time for industrial
5 customer, I think, would be prohibitive in the
6 industrial customers' mind.

7 Q Why the ten-year requirement for resale
8 customers?

9 A I think it is just a number, ten years; just like
10 there is a number for two years. It could have been
11 three.

12 Q It is an arbitrary number?

13 A It is a number that we came up with; that is
14 right.

15 Q No reason why that couldn't be five years instead
16 of ten years?

17 A No.

18 MR. DOUGLASS: That is all the questions I have,
19 Judge.

20 JUDGE CHRISTIANSON: I guess you could get into a
21 discrimination argument on that whole thing.

22 Any more follow-up?

23 MR. BOEHM: One more question.

24 JUDGE CHRISTIANSON: Go ahead.
25

RECROSS-EXAMINATION

BY MR. BOEHM:

Q Mr. Robowski, this uncertainty as to how this revenue shortfall will be handled in the next rate case, isn't it true it is this uncertainty that would motivate the Company to be very cautious about both the number of customers that they would allow to take advantage of these tariffs, and allowing customers discounts where there was uncertain evidence as to whether or not that was needed to retain the customers?

A Yes.

MR. BOEHM: No further questions.

JUDGE CHRISTIANSON: I can see that. If you did it in a base case, you would almost be made whole immediately, as opposed to being uncertain about it. You might even be uncertain in a base case.

Let me check. The witness has been patient. Any more questions of the witness? I see no volunteers immediately. Mr. Dougherty hasn't had a second run at it.

MR. DOUGHERTY: No, Your Honor, one is enough. Thank you.

JUDGE CHRISTIANSON: Then we can pause. Let's go off the record briefly in case you need some redirect.

(Discussion off the record.)

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0009

Further Hearing :
 :
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Pages 255 through 439

Hearing Room No. 2
 North Office Building
 Harrisburg, Pennsylvania

Wednesday, January 25, 1995

Met, pursuant to adjournment, at 10:05 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

APPEARANCES:

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(For Pennsylvania-American Water Company Large
8 Users Group)

9 DAVID F. BOEHM, Esquire
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11 Cincinnati, Ohio 45202
(For Armco Advanced Materials Corporation)

12 GREGORY K. DOUGLASS, Esquire
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Peoples Home Savings Association Building
14 2521 Darlington Road
Beaver Falls, Pennsylvania 15010
15 (For North Sewickley Municipal Authority)

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C O N T E N T S

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
William M. Stout				
By Mr. DeCusatis	258	---	---	---
By Mr. Scott	---	262	---	---
By Ms. Dusman	---	264	---	---
By Mr. Ryan	---	270	---	---
By Mr. Dougherty	---	298	---	---
By Mr. Boehm	---	339	---	---
By Mr. Douglass	---	351	---	---
Robert L. Robowski				
By Mr. Scott	---	381	---	---
By Ms. Dusman	---	385	---	---
By Mr. Douglass ✓	---	405	---	---
By Mr. Ryan	---	417	---	---
By Mr. Dougherty	---	423	---	---
By Mr. Boehm	---	432	---	---
By Mr. DeCusatis	---	---	436	---

E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
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Pennsylvania-American Water Company

Statement No. 9 (Stout)	---	261
Exhibits Nos. 9-A through 9-C (Stout)	---	261
Exhibit 4-A (Service Company Contract)	---	438
Exhibit 10-B (Errata Sheet to PAWC Statement No. 10-Hanley)	438	438

Office of Small Business Advocate Cross-Examination Exhibits

1 (Response to OSBA Interrogatory No. 16)	281	337
2 (Response to OCA Interrogatory No. II-22)	293	337

1 BY MR. DOUGHERTY:

2 Q. Mr. Stout, following up on the Judge's question,
3 are large industrials being adversely affected by
4 consolidation of company plant?

5 A. I don't know.

6 Q. Are you familiar with the three rate riders that
7 are being proposed by the company in this proceeding for the
8 first time?

9 A. Yes, I am.

10 Q. Did you propose these riders to the company?

11 A. I did not propose them. The company and I have
12 discussed this particular issue for a number of years, and
13 we worked together on developing them.

14 Q. Do you have any knowledge of like riders for
15 other water utilities in Pennsylvania?

16 A. I do not have knowledge of like riders for other
17 water utilities, but I do for energy utilities.

18 Q. For energy?

19 A. Yes.

20 Q. Would you consider these riders economic
21 development riders as in electric energy utilities, sir?

22 A. I believe that in some instances the use of the
23 rider would promote economic development, but I do not
24 necessarily believe that that is their entire intent.

25 Q. To what instances are you referring, Mr. Stout?

1 A. Instances in which, as a result of the
2 availability of the rider, a customer would locate in the
3 company's territory as opposed to locating elsewhere.

4 Q. So in that regard, you would agree with me that
5 they are economic development riders?

6 JUDGE CHRISTIANSON: They could have that impact at
7 least.

8 THE WITNESS: I believe my statement was that it
9 could have that benefit, but that is not their total intent.

10 BY MR. DOUGHERTY:

11 Q. Would you agree that Rider DIS was designed to
12 attract and maintain customers in the company's service
13 territory?

14 A. Yes.

15 Q. What percentage of industrial customers, Mr.
16 Stout, are eligible for Rider DIS?

17 A. I have not made that determination.

18 Q. Would you know, looking at your Schedule H of
19 your exhibit, how many of those customers therein listed
20 would be eligible for Rider DIS, Mr. Stout?

21 A. If we relied on the data presented therein with
22 respect to the load factors over some period of time to
23 which those customers could commit, and also to the average
24 usage during the past several years, that data would enable
25 one to determine if the customer is eligible for that rider.

PAWUG STATEMENT NO. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

DOCKET NO. R-00943231

PENNSYLVANIA-AMERICAN WATER
COMPANY

DIRECT TESTIMONY AND EXHIBITS OF
DR. ROBERT ROMANCHECK, P.E.
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER
LARGE USERS GROUP

American Home Foods, Inc.
Appleton Papers Inc.
Ellwood Group Inc.
H. Warshaw & Sons, Inc.
Hershey Foods Corporation
International Paper, Veratec Division
Koppel Steel Corporation
USX Corporation - U.S. Steel Group
Washington Steel Corporation

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Dated: February 10, 1995

1 ● The Company should be ordered to make interim data and/or reports available to
2 the Commission and Intervenors. Only by timely and critical review of this data
3 can the authenticity of the Customer Class Demand Study be affirmed

4 **PAWC's PROPOSED RATE RIDERS**

5 Q. Please review the elements of PAWC's proposed Riders.

6 A. Rider DIS, Demand-Based Industrial Service, is applicable to industrial customers that
7 purchase an average of 20,000,000 gallons of water per month, at a daily load factor of not less
8 than 0.60, and have viable alternative water supply options. Rider DRS, Demand-Based Resale
9 Service, is applicable to resale service customers that purchase water at an average daily load
10 factor of not less than 0.75 and likewise have viable alternative water supply options. Rider
11 EGS, Electric Generation Service, is applicable to electric generating facilities that agree to
12 purchase at least 20,000,000 gallons of water per month. Riders EGS and DRS require service
13 contract periods of ten years and Rider DIS requires a service contract period of two years. All
14 three Riders require separate customer Service Agreements.

15 Q. How did the Company establish the parameters of eligibility for the Rider DIS
16 application?

17 A. PAWC has no substantive basis of logic for the monthly use requirement of 20 million
18 gallons or the daily load factor requirement of 0.60. Mr. Robowski admitted the Rider DIS
19 threshold criteria were subjective, since they (PAWC) were "rookies" in this area (See Tr.
20 425-426).

21 Q. Did Mr. Robowski submit any data for the logic of a 60 percent load factor?

1 A. No. He indicated that there was no "magic" in regard to either the 20 million gallons
2 or the 60 percent load factor (~~see~~ Tr. 428).

3 Q. Are any existing customers eligible for the Rider under those limitations?

4 A. Yes, there is one customer served by the Company currently eligible for service under
5 the Rider, based on the assumption that the customer has a viable alternative

6 Q. Do you agree that PAWC has a need for the proposed Rider DIS?

7 A. Yes. The almost annual rate increases set forth by the Company have resulted in large
8 industrial customer water rates being so high, that unless the Company responds, industrial
9 customers will leave the system. If large customers leave the system, the stranded investment
10 costs will be assigned to remaining customers.

11 Q. What does the Company foresee for future rate increase needs?

12 A. In the Company's response to Interrogatory OCA-V-9 (~~See~~ Exhibit No. V), PAWC has
13 made the following assumptions in its long-range financial plans as to rate activity: a rate
14 increase effective in August 1995 in the amount of \$8.4 million, an increase in the amount of
15 \$9.2 million effective in October 1997, and an increase in the amount of \$8.6 million effective
16 in November 1998.

17 Continuing increases will eventually force all large industrial customers to seek water
18 supply alternatives. In fact, I am somewhat surprised that some have not already done so.

19 Q. What is your professional opinion regarding the Rider DIS eligibility requirements?

1 A. I believe them to be overly restrictive. This is not to say that I am not sympathetic to
2 the concerns the Company has with respect to a rate of this type. Having been the primary
3 developer of the Interruptible and Economic Development Rates for PP&L in the 1980's, I
4 understand the hesitancy the Company has in giving up a portion of existing rate revenues.
5 However, as we decided at that time, it was better to give up some revenue in order to keep
6 some customers even though there would be some free riders.

7 Q. What eligibility requirements would you recommend for the proposed Rider DIS?

8 A. I recommend that the Company's threshold volumetric requirement be less restrictive than
9 20,000,000 gallons/month. I also recommend that the Company consider an annual minimum
10 rather than a monthly minimum. An annual minimum would more rationally address industrial
11 customers' manufacturing cycles and would be a more reasonable measurement of eligibility.
12 A reasonable level of annual user, based on the Company's billing records, is 100,000,000
13 gallons per year. This would extend eligibility for Rider DIS to about 14 of the largest PAWC
14 customers based on Company information.

15 I would also eliminate the requirement of a 60 percent load factor. Load factor rates can
16 prove to have adverse effects on water conservation. For example, a customer conceivably
17 might tend to waste water in order to meet the load factor requirement. Accordingly, I would
18 recommend that the Company consider that eligibility for the DIS Rider require either a monthly
19 minimum or a minimum load factor. By requiring both criteria, the Company and its large
20 customers can miss out on potential opportunities.

21 I would also recommend that the Company have the discretion in the Rider proposal to
22 negotiate with any existing sizeable customer that produces sound documentation that they will

1 leave the Company's system because of a viable option. Pricing in this situation can be based
2 at the level of the viable alternative production and investment cost. One of the most important,
3 if not the most important, of the design parameters for rates, such as this, is flexibility. The
4 Company admits that it has no experience in this type of ratemaking. Two inflexible criteria,
5 minimum use and load factor, will limit the applicability and the concomitant value to the
6 Company and its customers.

7 UNACCOUNTED-FOR WATER

8 Q. Have you reviewed the "Unaccounted-For Water" for PAWC?

9 A. Yes. At PAWC Exhibit 3-F (III. Balance Sheet and Operating Statement, C. Water
10 Utilities, page 7), the Total Gallons Billed (for twelve months ended 7/31/94) was
11 39,705,710,300 gallons. At p. 42 of the same PAWC Exhibit, for the same time period, the
12 Total System Demand is 53,711,022,000 gallons. Based on this data, the system "Unaccounted-
13 For Water" is $53,711,022,000 / 39,705,710,300 = 1.353$ or 35.3%. As a check, refer to
14 Schedule E of PAWC Exhibit No. 9-C, which lists Total Average Daily Consumption of
15 107,751,000 gallons and an Average Daily Sendout for the same period of 148,000,000. Again,
16 mathematically, $148,000,000 / 107,751,000 = 1.374$ or 37.4% appears to be unaccounted-for
17 water or other non-revenue water.

18 Q. Please continue.

19 A. It is important to note that the Commission at 52 Pa. Code §65.20(4) states the following:

20 Unaccounted-for water. Levels of unaccounted-for water should
21 be kept within reasonable amounts. Levels above 20% have been
22 considered by the Commission to be excessive.

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0012

Further Hearing :
 :
 ----- x

Pages 644 through 870

Hearing Room No. 2
 North Office Building
 Harrisburg, Pennsylvania

Friday, March 3, 1995

Met, pursuant to adjournment, at 9:36 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

APPEARANCES:

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Harrisburg, Pennsylvania 17108
8 (For Pennsylvania-American Water Company Large
Users Group)

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15 Beaver Falls, Pennsylvania 15010
(For North Sewickley Municipal Authority)

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C O N T E N T S (Continued)

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
Robert Romancheck				
By Mr. Dougherty	820	---	---	---
By Mr. DeCusatis	---	822	---	---
By Mr. Scott	---	846	---	---
By Mr. Douglass	---	852	---	---
By Ms. Dushman	---	854	---	---
By Mr. Ryan	---	863	---	---

E X H I B I T S

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
<u>PAWC Cross-Examination Exhibit</u>		
3 (North Sewickley Municipal Authority Daily Water Records)	651	668
<u>North Sewickley Municipal Authority</u>		
Statement No. 1 (Arnold)	704	704
Statement No. 2 (Walser)	680	680
Statement No. 3 (McConnell)	704	704
Exhibit No. 3A (McConnell)	704	704
Exhibit No. 4 (Interrogatory Responses)	706	706
<u>Office of Trial Staff</u>		
Statement No. 3 (Keim)	707	709
Exhibit No. 3 (Keim)	707	709
<u>Office of Consumer Advocate</u>		
Statement No. 3 (Catlin)	761	762

1 A. Good afternoon.

2 Q. Would you please turn to page 21 of your
3 testimony?

4 A. Sure.

5 Q. If you would, refer to lines 7 through 10. Here
6 you state essentially that the annual increases by the
7 company have resulted in large industrial customer water
8 rates so high that unless the company responds, the
9 customers will leave the system; is that correct?

10 A. I believe there is a certain point at which a
11 company will seek alternatives; yes, sir.

12 Q. Let me refer you to page 22, also, please.

13 A. Yes, sir.

14 A. I'm going to refer you to your answer from lines
15 7 through 14. Essentially what you do there, you make a
16 suggestion as to how the company could be less restrictive,
17 and the last sentence of that answer, line 13, states, "This
18 would extend eligibility for Rider DIS to about 14 of the
19 largest PAWC customers based on company information"; is
20 that correct?

21 A. Yes, sir.

22 Q. Do you know whether any of these 14 customers
23 have present plans of leaving the system?

24 A. I believe that a certain number of them have
25 indeed investigated the potential building of wells for

1 their facilities.

2 Q. Do you know whether any of those companies have
3 gone past the point of investigation?

4 A. I cannot say. I do not know, sir.

5 Q. Have you inquired as to how many of them --
6 first of all, how many of them that you know of have
7 investigated the drilling of wells?

8 A. I believe there was an interrogatory response
9 which I was not responsible for. It went out to the OCA.
10 The response was OCA-3. According to this, available water
11 supply alternatives, the nine customers of the group which I
12 represent have available alternative water supplies, two
13 have operating wells, there are some operating wells and
14 plant studies and exploration. Five out of the nine appear
15 to have capability, some capability, of manufacturing their
16 own water.

17 Q. But you don't know whether they've done any kind
18 of studies to find out what their capabilities are?

19 A. No, sir, I have not.

20 Q. And to your knowledge, none of them are going
21 off the system as of today that you know?

22 A. That I know of, no, sir.

23 Q. Under Rider DIS isn't it true that each time
24 each customer -- if it were expanded, each customer that
25 would be able to take advantage of Rider DIS would be able

1 to negotiate for lower rates than the tariff rates for that
2 customer class; isn't that correct?

3 MR. DOUGHERTY: Your Honor, could I ask counsel to
4 repeat the question? It wasn't clear to me. I apologize.
5 Perhaps I wasn't paying attention.

6 JUDGE CHRISTIANSON: Let me try to paraphrase it.
7 Each customer taking advantage of DIS would be able to
8 negotiate its own rates below the standard tariff rates.

9 MR. SCOTT: Yes.

10 THE WITNESS: Yes, that is correct.

11 MR. DOUGHERTY: Thank you, Your Honor.

12 JUDGE CHRISTIANSON: Go ahead.

13 BY MR. SCOTT:

14 Q. Would that not, in all probability, leave some
15 shortfall between the revenue requirement established by the
16 company and what they would actually receive due to that
17 negotiated rate, assuming the rate was lower?

18 A. There would be a revenue shortfall; yes, sir.

19 Q. Now, in the industrial class, immediately, or in
20 all classes, isn't it true that the fewer customers that
21 Rider DIS is available for, the less the shortfall will be
22 to the revenue requirement?

23 A. The fewer number of customers that would
24 subscribe to DIS, the less the --

25 Q. Shortfall.

1 A. -- the shortfall? Possibly. Again, it depends
2 what the revenue is for the customers that accept it within
3 any group. If it would be, let's say, the five largest
4 versus the five next-largest, the five largest staying, then
5 the revenue shortfall would be less than if the five largest
6 left.

7 JUDGE CHRISTIANSON: I think he's agreeing with you
8 as a general principle.

9 THE WITNESS: Yes.

10 JUDGE CHRISTIANSON: The less inclusive it is, the
11 less impact.

12 BY MR. SCOTT:

13 Q. Right now there is one customer that qualifies
14 for that rider; correct?

15 A. Under the specifications of what the company set
16 forth there is only one customer. But again, if there's
17 only one customer, I would suggest that that's not an
18 experimental rate because you only have one customer and you
19 may as well just create a rate for that one customer. I
20 mean if you're going to have a true experimental rate and a
21 true relationship, you should at least have a sample that is
22 going to be able to negotiate and participate. Albeit I
23 recognize the company wants to limit its exposure, but by
24 the same token, if you're going to do it, you should do it
25 with a fair base, not with a single customer.

1 Q. Can we agree that the company should only do it
2 with those customers where there is a realistic chance of a
3 competitive alternative, because if they -- let me ask you
4 this and see if you agree with me. The company should only
5 do it with a limited number of customers in which there is a
6 realistic competitive alternative, because if they don't
7 it's going to cost the other customers more in making up the
8 company's revenue requirement; will you agree with me on
9 that premise?

10 A. Yes. If I may just expand slightly from the
11 answer. I would agree that that's the case. However, I
12 would also agree that if in fact it is an experimental rate,
13 it more reasonably might be viewed as a shared
14 responsibility. In other words, the company would be giving
15 up some of its revenue from below the line as well as that
16 which may be transferred to other customer classes, because
17 by keeping a customer there are other benefits that all
18 customer classes get.

19 Q. So if I can understand what you're saying,
20 you're saying that you agree with my premise, however, there
21 may be a time where the company would share some of that
22 shortfall?

23 A. That is correct.

24 MR. SCOTT: Thank you.

25 I have no further questions, Your Honor.

1 A. No, I do not.

2 Q. Have any of the LUG members actively evaluated
3 the effects of assuming the obligation to provide water
4 which meets Safe Drinking Water standards?

5 A. I have not discussed that with them.

6 Q. So you don't know then whether they are willing
7 to assume the kinds of obligations and responsibilities
8 which might be even more burdensome in the future?

9 A. If they were going to go into the production of
10 their own water on site, then they would assume that
11 obligation.

12 Q. Turning for a moment, Dr. Romancheck, to page 21
13 of your testimony, lines 9 and 10. You state there --

14 A. I'm sorry; page 21?

15 Q. Page 21, lines 9 and 10.

16 A. Yes.

17 Q. You state there that, "If large customers leave
18 the system, the stranded investment costs will be assigned
19 to remaining customers," do you not?

20 A. Yes.

21 Q. Would an example of stranded investment costs as
22 you use that phrase there be, for example, the portion of a
23 distribution main and service lines that serve a large
24 customer?

25 A. As well as that portion of the water producing

1 system, the treatment facility, the chemical or whatever
2 other addition equipment is there. All of that would in
3 essence be stranded until someone else would come along to
4 pick up that capacity.

5 Q. I understand. Let's focus for a moment on just
6 the service line and the meter to the customer who leaves
7 the system. Now, once the customer leaves the system, that
8 service line and meter is no longer used and useful in
9 providing utility service, is it?

10 A. Well, the meter is. The meter would be removed
11 and it would be used in a different location. The line
12 itself, obviously, would be there, and --

13 Q. The line would be there and not used, correct?

14 A. It would be there and would not be used; that's
15 correct.

16 Q. So the service line, the depreciated cost of the
17 service line would not be includable in rate base, would it?

18 A. The depreciated cost? No, it's depreciated out.
19 It would be the book value would be included in rate base.

20 JUDGE CHRISTIANSON: But she's asking whether what's
21 left --

22 BY MS. DUSMAN:

23 Q. Yes, whatever is left. Let's say there is some
24 rate base value to the service line.

25 A. Yes.

1 Q. If that service is not used, it is not
2 includable in rate base, is it?

3 A. Sure it is. Unless you condemn it, unless you
4 write it off in some manner or form, but it's still plant.

5 JUDGE CHRISTIANSON: It might stay in if another user
6 may use it, but I agree with you, it would get written off.

7 MS. DUSMAN: Your Honor, my hypothetical was that the
8 service line is no longer used by anyone.

9 JUDGE CHRISTIANSON: Go ahead with the witness.

10 MS. DUSMAN: All right.

11 BY MS. DUSMAN:

12 Q. Are you aware that plant that is not used and
13 useful in providing utility service in the State of
14 Pennsylvania is not includable in rate base to existing
15 customers?

16 A. Yes, I'm aware of that.

17 Q. Then can you also agree with me that that cost
18 would not be chargeable to existing customers?

19 A. That portion of the plant would have to be
20 accounted for on the books, and it would be written off of
21 rate base, yes. But not the water producing function of the
22 system.

23 Q. Can you agree with me that to whom the stranded
24 investment costs are assigned is really an open legal
25 question at this point for the water utility industry in

1 Pennsylvania?

2 A. I don't believe I would agree with you from the
3 point being that if there is a water treatment facility and
4 it is serving a large customer and that customer leaves,
5 goes out, the cost of that facility still stays there until
6 or unless someone would come and say that portion of the
7 plant is no longer used and useful, and I don't believe that
8 would take place.

9 Q. It would be possible that if a large customer
10 left the system, however, excess capacity would be created,
11 wouldn't it?

12 A. Sure, that is possible, but one could juxtapose
13 that to the point that there are constantly customers
14 leaving the system and some customers coming on, and that
15 plant is still in rate base.

16 Q. I just have one additional line of questioning,
17 and I want to go back to your simple model on page 12.

18 A. Yes.

19 Q. I would like you to consider with me a
20 hypothetical based on the simple model in which the
21 following occurs. And I'm trying to keep the numbers simple
22 so that -- I wish we had a blackboard so that I could sketch
23 it out for you, but we don't. Let's say we are adding \$10
24 million worth of rate base and all of the customers served
25 by that rate base total 10,000 customers. Let's further

DO
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PAWLUG STATEMENT NO. 1-R

2-983231

Hbg.

3/24/95

[Signature]

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

DOCKET NO. R-00943231

PENNSYLVANIA-AMERICAN WATER
COMPANY

RECEIVED
MAR 21 1995
P. M.
COMM. DIV.

REBUTTAL TESTIMONY OF
DR. ROBERT ROMANCHECK, P.E.
ON BEHALF OF
PENNSYLVANIA-AMERICAN WATER
LARGE USERS GROUP

DOCKETED
MAR 30 1995

American Home Foods, Inc.
Appleton Papers Inc.
Ellwood Group Inc.
H. Warshaw & Sons, Inc.
Hershey Foods Corporation
International Paper, Veratec Division
Koppel Steel Corporation
USX Corporation - U.S. Steel Group
Washington Steel Corporation

Dated: March 13, 1995

ORIGINAL

1 requirements. Mr. Catlin's conclusion regarding the Company's Cost of Service Study is simply
2 inappropriate.

3 Q. Please summarize your Rebuttal Testimony of Mr. Keim and Mr. Catlin in this
4 proceeding.

5 A. My rebuttal to Mr. Keim and Mr. Catlin focuses on the following key points:

- 6 1) Mr. Keim's rate design parameters for the proposed Rate Rider DIS will
7 inappropriately restrict Company/customer negotiations and diminish the value of
8 the Rider(s) to the Company and all its customers.
- 9 2) Mr. Keim's recommendation that the Industrial, Public and Other Water Utilities
10 receive the increase as proposed by the Company is unsupported by the data
11 presented in this instant proceeding.
- 12 3) Mr. Catlin's proposed rejection of the Company's Rate Rider DIS would greatly
13 inhibit the Company's ability to negotiate and to retain its valuable large, high
14 load factor, customer base.
- 15 4) Notwithstanding express concern about inconsistencies in the Company data, Mr.
16 Catlin's half-hearted acceptance of the Company's Cost of Service Study is
17 inappropriate.

18 Q. Does this conclude your Rebuttal Testimony?

19 A. Yes.

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0012
 Further Hearing :
 :
 :
 -----X

Pages 1122 through 1220

Hearing Room 2
 North Office Building
 North and Commonwealth Streets
 Harrisburg, Pennsylvania

Friday, March 24, 1995

Met, pursuant to notice, at 10:55 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

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Camp Hill, Pennsylvania 17011

C O N T E N T S

WITNESSES:DIRECT CROSS REDIRECT RECROSS

Robert L. Robowski

(By Mr. Gadsden)

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(By Mr. Scott)

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(By Mr. Dougherty)

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(By Mr. Boehm)

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(By Ms. Dusman)

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(By Mr. Douglass)

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William M. Stout

(By Mr. Decusatis)

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(By Mr. Douglas)

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David Keim

(By Mr. Scott)

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(By Mr. Dougherty)

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Robert Romancheck

(By Mr. Dougherty)

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(By Mr. Scott)

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(By Mr. Boehm)

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Brian Kalcic

(By Mr. Boehm)

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(By Mr. Scott)

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(By Ms. Dusman)

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Thomas S. Catlin

(By Ms. Dusman)

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(By Mr. Boehm)

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certifying reporter.

1 Q Thank you. I would like to ask you -- Mr.
2 Dougherty, during cross-examination of Mr. Keim, had
3 asked Mr. Keim whether or not he had done any
4 calculations as to the effects of Rider DIS if, I
5 believe this is quoting him correctly, if even one
6 customer was put under that Rider. Do you remember that
7 question?

8 A Yes, I do.

9 Q Let me ask you this. Can we agree that, although
10 I understand you haven't quantified the effects either,
11 can we agree that one certain effect if a customer is
12 placed under Rider DIS, is that the Company is going to
13 get less money from that customer?

14 A That is correct, but parenthetically, if they
15 leave the system, they would get less money from that
16 customer also.

17 Q Understood. So that we know the effect, no
18 matter what the actual quantification is, that they are
19 going to get less money from the customer; is that
20 correct?

21 A That is correct.

22 Q And can we agree that that shortfall is going to
23 be made up either by the Company absorbing it or by the
24 other classes of customers?

25 A That is correct. There is just one thing I might

1 add, if I may.

2 Q Go ahead. You'll add it one way or another, I'm
3 sure.

4 JUDGE CHRISTIANSON: You might as well do it now
5 and get it over with.

6 THE WITNESS: By the fact that the Company would
7 appear to another industrial customer, or several large
8 industrial customers, as being a utility who is forward-
9 thinking in the development of rates in their large
10 water users just by virtue of the philosophy that they
11 place out on the table may induce those customers to
12 come into the system, which i.e. then would increase
13 water sales and would decrease customer bills. So there
14 is that fact, and it has happened in electric industry.

15 BY MR. SCOTT:

16 Q The electric industry, yes; but do you know of
17 any water customers or potential water customers of PA-
18 American that that is even discussed on?

19 A Again, I am looking at the possibility of the
20 marketing aspect of it because a large industrial would
21 have the ability to make the choice, either purchase
22 from PA-American, or put in their own facilities, or not
23 move into the territory. It is another piece of the
24 equation.

25 Q Let's assume, Mr. (sic) Romancheck, that the

OTS Statement No. 3
Witness: David F. Keim
Date: February 10, 1995

K-143231

3/3/95

11th

307

Pennsylvania Public Utility Commission

v.

Pennsylvania-American Water Company

R-00943231

PA. P. U. C.
INFO. CONTROL DIV.

95 MAR -7 PM 3:28

RECEIVED

DOCUMENT
FOLDER

Direct Testimony

of

David F. Keim

DOCKETED

MAR 08 1995

Concerning

Cost of Service and Rate Design

3) The allocation of class revenues at various levels.

PROPOSED COMPETITIVE TARIFFS

Q. WOULD YOU PLEASE LIST THE COMPETITIVE TARIFFS WHICH THE COMPANY HAS PROPOSED?

A. The Company has proposed three competitive service tariffs. They are: Rider DIS - Demand-Based Industrial Service; Rider DRB - Demand-Based Resale Service; and Rate EGS - Electric Generation Service.

Q. WILL YOU DESCRIBE RIDER DIS - DEMAND-BASED INDUSTRIAL SERVICE?

A. Rider DIS - Demand-Based Industrial Service will be available to any industrial water customer that agrees to purchase, for a minimum of two years, twenty (20) million gallons per month at a daily load factor of not less than sixty (60) percent. Load factor can be defined as the ratio of the average water use to the peak usage. Additionally, this customer must have a viable competitive water service alternative and would use this alternative source to the resulting detriment of PAWC and its customers; i. e. the customer leaving the Company's system. The tariff page describing Rider DIS has been included as Schedule 1 of OTS Exh. No. 3. There is currently one customer of PAWC that meets both the minimum consumption and load factor

1 requirements, which would qualify for service under this
2 tariff (Tr. 391)

3
4 Q. WILL YOU DESCRIBE RIDER DRS - DEMAND-BASED RESALE SERVICE?

5 A. Rider DRS will be available to any customer that purchases
6 water from the Company for resale, enters into a service
7 agreement for a term of not less than ten (10) years, agrees
8 to maintain a minimum daily load factor of 75%, has a viable
9 competitive alternative to service from the Company and
10 intends to use this alternative source to the detriment of
11 PAWC and its customers. The Company intends to charge a
12 negotiated rate for this service, subject to escalation
13 clauses (OTS Exh. No. 3, Sch. 1, p. 2).

14
15 Q. WOULD YOU DESCRIBE RATE EGS - ELECTRIC GENERATION SERVICE?

16 A. Rate EGS will be available to any customer in the business
17 of generating electrical power for sale to the public or
18 public utilities. The customer must enter into a service
19 agreement for a minimum period of ten (10) years, and agree
20 to purchase at least twenty (20) million gallons of water
21 per month. The rate to be charged is to be determined in
22 the Service Agreement (OTS Exh. No. 3, Sch. 1, p. 3).

23 Company witness Robowski stated that the Company is
24 currently in discussions with a potential customer for this
25 service, but that customer would not take service before
26 1997 (Tr. 391-2).

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Q. WHY HAS THE COMPANY PROPOSED THESE TARIFFS?

A. According to Company witness Robowski, Rider DIS and Rider DRS were proposed in order to retain those high load factor customers that may have an available competitive alternate water supply source and intend to pursue such an option to the detriment of PAWC and its customers. Rate EGS was proposed in order to give the Company negotiating flexibility with cogenerators and other electric generating customers. These three tariffs were proposed by the Company in order to enhance its ability to maintain its existing customer base and to attract new customers (PAWC Statement No. 5, pp. 5-6).

Q. WHAT ARE YOUR OBJECTIONS TO THE COMPANY'S PROPOSED TARIFFS?

A. I disagree with some of the terms included in the proposed tariffs.

Q. WHAT ARE YOUR OBJECTIONS TO RIDER DIS - DEMAND-BASED INDUSTRIAL SERVICE AND RIDER DRS - DEMAND-BASED RESALE SERVICE?

A. I have several objections to these proposed tariffs. My first objection is the proposed tariff language which gives PAWC the discretion to require documentation to establish the existence of a competitive alternative. Any customer applying for service under these riders will be a large

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
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 annual rate increase. : through
 : R-943231C0012

Further Hearing
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Pages 644 through 870 Hearing Room No. 2
 North Office Building
 Harrisburg, Pennsylvania
 Friday, March 3, 1995

Met, pursuant to adjournment, at 9:36 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

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C O N T E N T S

	<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
1					
2					
3	Johnny Bill Conner				
4	By Mr. Douglass	648	---	667	---
5	By Mr. DeCusatis	---	649	---	---
6		---	664	---	---
7	Raymond Walser				
8	By Mr. Douglass	669	---	---	---
9	By Mr. DeCusatis	---	672	---	---
10	Diane L. McConnell				
11	By Mr. Douglass	680	---	---	---
12	By Mr. DeCusatis	---	684	---	---
13	By Ms. Dusman	---	694	---	---
14	By Mr. Dougherty	---	699	---	---
15	By Mr. Ryan	---	700	---	---
16	By Mr. Boehm	---	700	---	---
17	David F. Keim				
18	By Mr. Scott	706	---	756	---
19	By Mr. DeCusatis	---	709	---	---
20	By Mr. Dougherty	---	717	---	---
21	By Mr. Ryan	---	732	---	---
22	By Mr. Boehm	---	734	---	---
23		---	751	---	---
24	By Mr. Douglass	---	741	---	---
25	By Ms. Dusman	---	748	---	---
	Thomas S. Catlin				
	By Ms. Dusman	761	---	---	---
	By Mr. DeCusatis	---	763	---	---
	By Mr. Dougherty	---	766	---	---
	By Mr. Ryan	---	771	---	---
	By Mr. Boehm	---	773	---	---
	By Mr. Douglass	---	790	---	---
	Robert L. Figley				
	By Mr. Ryan	795	---	817	---
	By Mr. DeCusatis	---	797	---	---
	By Mr. Douglass	---	809	---	---
	By Ms. Dusman	---	809	---	---
	By Mr. Dougherty	---	811	---	---

1 tail block rate of \$2.50 per thousand.

2 A. That's correct.

3 Q. It is possible that if the other components of
4 the floor price you have proposed were added to the base
5 cost, that that floor price may exceed the company's
6 proposed tail block rate of \$2.50; would you agree with
7 that?

8 A. I'm not sure if it would or not. It might. It
9 probably would depend on the particular circumstance.

10 Q. Mr. Keim, would you agree that the cost of a
11 customer's alternative water supply is a factor that should
12 be considered in establishing a floor price for service
13 under the company's proposed riders?

14 A. It should be a factor that should be considered.
15 I would agree, yes.

16 Q. If the floor price were set above the cost of
17 alternative supplies, the company's riders such as DIS and
18 DRS, their usefulness as load retention tools would be
19 substantially diminished, wouldn't they?

20 A. That would have an impact on them. It may
21 affect them, I would agree, but it may or may not make them
22 useless. I don't know.

23 JUDGE CHRISTIANSON: You're indicating price is not
24 the only problem you're talking about.

25 THE WITNESS: That's correct.

PAWC'S
Atty
X-Christianson
Etc.

1 A It could be, yes. It could be available to more
2 than one customer, yes.

3 Q Mr. Keim, would you agree that the loss of any
4 one or more than one large industrial customer would impose
5 a significant revenue deficiency on the company?

6 A It would have an impact, yes.

7 Q Would it be a significant impact, Mr. Keim?

8 A It might be.

9 Q In your expert estimation, Mr. Keim, what
10 customer class would then be required to make up most of
11 that revenue deficiency? If you know.

12 A Well, probably within the class where that --
13 say it's an industrial class customer, then the industrial
14 class should bear that burden.

15 JUDGE CHRISTIANSON: You're losing an industrial
16 customer now?

17 MR. DOUGHERTY: Yes.

18 THE WITNESS: Yes. They could maintain that within
19 the industrial class, that revenue burden; yes.

20 BY MR. DOUGHERTY:

21 Q Let me see if I have this right, Mr. Keim.
22 You're saying that if the company were to lose a large
23 industrial customer, you're saying that the way the system
24 currently operates now is that the industrial class would
25 then be required to make up any revenue deficiency? Am I

1 understanding you correctly?

2 A. I believe that's where the revenue requirement
3 burden would fall, yes.

4 JUDGE CHRISTIANSON: Well, if you did a new cost of
5 service study, you would just use the population you have
6 left.

7 THE WITNESS: That's right, Your Honor.

8 JUDGE CHRISTIANSON: And it would visit the loss in
9 all classes, probably.

10 THE WITNESS: There may be a reallocation. That's
11 also possible, yes.

12 BY MR. DOUGHERTY:

13 Q. You're saying there may be a reallocation?

14 A. That's possible, yes.

15 Q. Mr. Keim, I'm following up on some questions
16 posed to you by Mr. DeCusatis regarding the rider
17 components. Your testimony suggests that the tariff rider
18 rates charged to existing customers be comprised of certain
19 components; is that correct?

20 A. Yes.

21 Q. Would you distinguish for me, please, your
22 components versus that of the company?

23 A. Yes. The company recommended -- and this I have
24 listed on page 5 -- that the minimum rate should be not less
25 than the sum of the cost to produce water; the fixed costs

1 purposes of this case?

2 A. They were accepted for purposes of revenue
3 allocation.

4 Q. When you talk about your scaleback -- and that's
5 your last question. I think, on the final page of your
6 testimony -- am I correct that except for the Brownsville
7 and California fire protection where they're trying to bring
8 them up to the overall level, except for that, everybody
9 would benefit from a scaleback if your revenue allocation
10 proposals were accepted?

11 A. There would be a benefit to everybody, yes.

12 MR. RYAN: That's really all I have, Your Honor.

13 JUDGE CHRISTIANSON: Armco?

14 MR. BOEHM: I have just a few, Your Honor.

15 JUDGE CHRISTIANSON: Go ahead.

16 MR. BOEHM: Thank you.

17 CROSS-EXAMINATION

18 BY MR. BOEHM:

19 Q. Mr. Keim, so we can get this -- I think it's
20 clear from your testimony, but let's flesh it out a little
21 bit more. You're not rejecting outright the concept of
22 these load retention or competitive tariffs the company is
23 proposing, are you?

24 A. No, I'm not. I'm just recommending certain
25 parameters be installed.

1 Q. But you're allocating essentially fixed costs in
2 that number, aren't you?

3 A. That's correct.

4 Q. If you're allocating fixed costs in that number,
5 on what basis are they being allocated?

6 A. I don't understand.

7 Q. Have you just taken fixed costs and divided that
8 by gallons of water, or how have you --

9 A. Essentially, the base cost of water calculation
10 is the cost divided by the number of gallons, yes. Those
11 cost components --

12 Q. Regardless of what customer class?

13 A. That's correct.

14 Q. Isn't it true, Mr. Keim, that with respect to
15 the company and with respect to the rest of the customers,
16 the company and the rest of the customers are better off
17 having a customer on its system that pays some part, no
18 matter how small, of fixed costs than not having that
19 customer on the system?

20 A. That's correct.

21 Q. So to the extent that one adds to the cost of
22 producing water any increment at all that picks up fixed
23 costs, the customers, the remaining customers, and the
24 company are better off having that customer pay that rate
25 than not having that customer?

1 A. Well, any revenue contribution is better than no
2 revenue contribution, if that's what you're asking me.

3 Q. With respect to the third criteria, Mr. Keim,
4 that the company imposes for the LIS tariff, and that is to
5 say a competitive alternative, if, in fact, a customer were
6 able to come in and they otherwise qualified on the
7 volumetric and the load factor criteria, and they were able
8 to show the company that if they drilled some wells, for
9 instance, that they could replace a significant part of
10 their existing water usage with Pennsylvania-American, do
11 you think -- and let's assume for the purposes of this
12 hypothetical that they did drill those wells because the
13 price of drilling those wells was cheaper than the price of
14 water being offered to them by the company. If, in fact,
15 they drilled those wells and undertook that capital
16 expenditure and replaced the water from the Pennsylvania-
17 American Water Company, if at some later time Pennsylvania-
18 American Water were able to lower their price of water so
19 that it was below that capital expenditure, do you think
20 that the company would come back to Pennsylvania-American
21 Water? Do you think that the manufacturer, the water
22 customer, would then come back to Pennsylvania-American?

23 A. I don't know.

24 Q. In point of fact, if that customer undertook to
25 make those capital expenditures, he would probably be off

1 the system, at least for that amount of the water.
2 permanently, wouldn't he?

3 A. I don't know.

4 Q. Because he couldn't get his money back, right,
5 to drill the wells?

6 A. Probably not.

7 Q. So that at least with respect to customers whose
8 alternative is to get the water through, for instance,
9 wells, if you lose that customer, you've probably lost him
10 for good, haven't you?

11 A. Unless his well runs dry. I mean possibly, yes.
12 I don't know.

13 JUDGE CHRISTIANSON: We can probably agree for a long
14 period of time until the investment has to be replaced.

15 THE WITNESS: Assuming the wells are adequate, et
16 cetera. I guess there are a lot of things to be considered
17 in there.

18 BY MR. BOEHM:

19 Q. I noticed in your Appendix A, Mr. Keim, you've
20 done a lot of work in gas cases?

21 A. Yes, sir.

22 Q. On this issue of load retention tariffs, do you
23 see parallels between the water area and the gas area?

24 A. Well, comparisons as far as needing alternative
25 supplies. I think you can make an analogy there, yes.

1 Q. In fact, in the gas area in Pennsylvania and
2 other states it has been almost routine in the past how many
3 years to allow companies to enter into special contracts to
4 retain large customers, even offering them rates below
5 tariff rates? In the gas area.

6 A. There's been a lot of gas incentive purchase
7 programs in Pennsylvania. I'll agree with that.

8 Q. Are you familiar with any other states, Mr.
9 Keim?

10 A. I'm not going to say specifically. I know
11 incentive rates in the United States are somewhat common for
12 gas.

13 Q. With respect to your testimony about specific
14 review of contracts, Mr. Keim, what sort of proceeding do
15 you have in mind there?

16 A. Are you stating on page 8 of my testimony? Is
17 that what you're referring to?

18 Q. I think that's it, yes. I'm sorry for not
19 giving you a specific reference.

20 (Counsel Boehm perusing document.)

21 MR. BOEHM: Excuse me, Your Honor.

22 JUDGE CHRISTIANSON: Yes. We can pause.

23 (Pause.)

24 MR. BOEHM: Let me withdraw that question, Your
25 Honor, and I'll end my cross there.

1 less than the system average load factor, is it not?

2 A. Yes.

3 Q. In response to a question by Mr. Boehm I believe
4 it would be an adequate paraphrase to say that you stated
5 that the remaining customers of Pennsylvania-American Water
6 Company would be better off if a customer who threatened to
7 leave the system would make some contribution, and I think
8 Mr. Boehm even said no matter how small, to the system cost
9 rather than leaving the system, and I believe that your
10 answer was: yes, they would be better off with some
11 contribution, no matter how small.

12 MR. BOEHM: Objection, Your Honor. I said
13 contributions to fixed costs, I think the record will
14 reflect.

15 BY MS. DUSMAN:

16 Q. With that clarification, some contribution to
17 fixed costs. And you said that they would be better off,
18 did you not?

19 A. Yes, I did.

20 Q. Isn't it true, though, Mr. Keim, that in some
21 instances the cost of retaining a particular customer may be
22 even greater to the remaining customers than the
23 contribution that that customer is willing to make to fixed
24 costs?

25 A. That's a possibility, yes.

1 Q. So in that particular instance, wouldn't the
2 remaining customers be better off if the company said:
3 okay, use your alternative source, go off the system with
4 our blessing?

5 A. Yes.

6 Q. Now, we don't know, do we, since this tariff
7 proposed has not yet been in effect, in how many of those
8 scenarios that kind of situation would occur, do we?

9 A. That's correct.

10 Q. We can't predict that, can we?

11 A. That's right.

12 MS. DUSMAN: We have nothing further for Mr. Keim.
13 Your Honor.

14 JUDGE CHRISTIANSON: Okay. I'll pause. There might
15 be some follow-up. Let me just make a statement and then we
16 can have the follow-up. There are really two ways of
17 viewing contribution. My view is that we've sort of taken a
18 static model so far. For instance, in these clauses we have
19 like ten- or 20-year contracts, and there might be some
20 questions about incremental cost in more or less a dynamic
21 model, which has been touched on by some of the lawyers.
22 That's just a comment to clarify where we're going.

23 I understand there will probably be some follow-up
24 because of the peculiar nature of rate design.

25 Go ahead. Do you have some follow-up?

1 MR. BOEHM Yes, Your Honor. Just one.

2 FURTHER CROSS-EXAMINATION

3 BY MR. BOEHM:

4 Q. Mr. Keim, I think counsel for OCA asked you
5 whether or not there were some circumstances wherein the
6 cost of retaining a customer were something -- and I'm
7 struggling here -- the cost of retaining a customer were
8 greater than the benefit that the customer conferred upon
9 the system, okay?

10 A. That's right.

11 Q. Keeping that in mind, let's go back to my
12 question to you, which was whether or not the company and
13 the other customers would not be better off allowing the
14 discount to a customer to retain them so long as that
15 customer contributed something to fixed costs. You said, I
16 think at the time, it's better to have some contributions to
17 fixed costs than no contributions to fixed costs. I guess
18 my question here is, and I'm not doing this very artfully,
19 but my question to you is: in answering Ms. Lusman's
20 question, were you referring to a customer that was making
21 some contribution to fixed cost?

22 A. I was, but what I'm referring to there is there
23 may be some long-run facilities costs or something that may
24 be incurred or costs that customer may cause to be incurred
25 that may offset the benefit from his contribution.

1 A. Yes.

2 Q. Let me ask you: is it your opinion that those
3 riders should be applied to as many customers as possible?

4 A. No. It is my opinion that those should be
5 utilized as a tool to meet alternative threats from
6 competition.

7 Q. Why not apply those to every customer that
8 technically meets the requirements of the tariff?

9 A. Because the tariffs are a retention tool to be
10 utilized to meet threats from alternative suppliers and
11 should be used for those large customers that meet the
12 company requirements.

13 MR. DOUGHERTY: Excuse me, Your Honor. Could we ask
14 the witness to repeat that answer? I wasn't sure I got that
15 complete answer.

16 JUDGE CHRISTIANSON: Try to state it again. You want
17 a limited use of these riders, basically.

18 THE WITNESS: The riders should be utilized to meet
19 alternative threats from competition and as a retention tool
20 by the company to prevent customer migration, yes.

21 JUDGE CHRISTIANSON: You indicated some emphasis on
22 the bigger customers.

23 THE WITNESS: Yes; that's correct. Within the load
24 parameters that the company has set.

25

OTS Statement No. 3R (Revised)
Date: March 13, 1995

DOCKETED
MAR 9 0 1995

OTS St No 3R (Rev.)

R-00943231

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Pennsylvania Public Utility Commission

v.

Pennsylvania-American Water Company

R-00943231

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Rebuttal Testimony

of

David P. Keim

ORIGINAL

Concerning

Cost of Service and Rate Design

1 ratemaking purposes.

2
3
4 Q.. HAVE YOU QUANTIFIED THE AMOUNT OF REVENUE SHORTFALL THAT
5 COULD RESULT?

6 A. Yes, I have. Assuming that all fourteen customers were able
7 to take advantage of Rider DIS at the PAWLUG proposed
8 minimum volume of 100,000 k/gals, the effect could be as
9 much as \$2.9 million, as shown below:

10	Revenue Shortfall at Proposed \$2.50 Industrial Tailblock	
11	less PAWC Base	less PAWC Production
12	<u>Cost of Water of \$2.37</u>	<u>Cost of Water of \$2.45</u>
13		
14	Customers: 14	14
15	x k/gal: 100,000	100,000
16		
17	x \$.13	x \$2.05
18		
19	<u>\$182,000</u>	<u>\$2,870,000</u>
20		
21		
22		
23		
24		

25 Q. HOW WOULD EITHER OF THESE SHORTFALLS BE RECOVERED?

26 A. The shortfalls would either be recovered from other
27 customers or would be absorbed by the Company.
28

29
30 Q. BUT IF ONE OF THESE LARGE CUSTOMERS LEAVES THE SYSTEM
31 WOULDN'T THERE BE A COST SHIFTING TO THE OTHER CUSTOMERS?

32 A. Yes, this could occur. However, while Dr. Romanchek
33 mentioned a threat that some customers could leave the
34 system, no evidence has been provided in this proceeding by
35 PAWLUG that any customer will leave (PAWLUG Statement No. 1,

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
Investigation into a proposed \$16,981,106 : R-943231C0001
annual rate increase. : through
 : R-943231C0012
 Further Hearing :
 :

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 Pages 1122 through 1220

Hearing Room 2
 North Office Building
 North and Commonwealth Streets
 Harrisburg, Pennsylvania

Friday, March 24, 1995

Met, pursuant to notice, at 10:55 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

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C O N T E N T S

WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS
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Robert L. Robowski				
(By Mr. Gadsden)	1134	--	--	--
(By Mr. Scott)	--	1137	--	1152
(By Mr. Dougherty)	--	1142	--	--
(By Mr. Boehm)	--	1146	--	1156
(By Ms. Dusman)	--	1149	--	--
(By Mr. Douglass)	--	1154	--	--
William M. Stout				
(By Mr. Decusatis)	1158	--	--	--
(By Mr. Douglas)	--	1161	--	--
David Keim				
(By Mr. Scott)	1164	--	--	--
(By Mr. Dougherty)	--	1167	--	--
Robert Romancheck				
(By Mr. Dougherty)	1174	--	--	--
(By Mr. Scott)	--	1180	--	--
(By Mr. Boehm)	--	1183	--	--
Brian Kalcic				
(By Mr. Boehm)	1186	--	1202	--
(By Mr. Scott)	--	1188	--	--
(By Ms. Dusman)	--	1200	--	--
Thomas S. Catlin				
(By Ms. Dusman)	1204	--	--	--
(By Mr. Boehm)	--	1208	--	--

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1 BY MR. DOUGHERTY:

2 Q You have no --

3 A I don't know if I have enough information to
4 answer that question.

5 JUDGE CHRISTIANSON: Whether they would be better
6 off or not.

7 THE WITNESS: That is right, sir.

8 JUDGE CHRISTIANSON: I guess one elocution is
9 that they are better off to have the contributing
10 customer on the system than to be without the customer
11 in this incremental analysis sort of a --

12 MR. SCOTT: Your Honor, I am not sure that that
13 is what Mr. Dougherty is asking. I thought --

14 JUDGE CHRISTIANSON: That is what I am trying to
15 clarify.

16 Go ahead, Counsellor.

17 MR. DOUGHERTY: I am getting to that.

18 BY MR. DOUGHERTY:

19 Q And I will try it this way, Mr. Keim, to clarify
20 it.

21 Mr. Keim, your rebuttal testimony references cost
22 shifting to other customers. Would there be a cost
23 shifting if large industrial customers left the Company
24 system?

25 MR. SCOTT: Are you talking about for good or

1 just -- before or after the next case, or does it
2 matter?

3 JUDGE CHRISTIANSON: Well, say a large industrial
4 leaves before the next rate case, what happens in the
5 next rate case?

6 BY MR. DOUGHERTY:

7 Q Let's start before the rate case, and I am not
8 quite sure what the difference is, but let's clarify --
9 before the next rate case?

10 A No, there wouldn't be a cost shift.

11 Q There would not be a cost shifting to other
12 customers. Mr. Keim, have you quantified the effect of
13 many large Company customers leaving the system?

14 A I wasn't able to quantify a specific number. I
15 know the effect would be depending on the number of
16 customers that might leave and the number of volume or
17 revenue attributable to them.

18 Q So you have or you have not, Mr. Keim?

19 A I haven't completely quantified a number. I
20 wasn't able to now.

21 Q Let me put it this way, Mr. Keim. Have you
22 quantified the effect of one large customer leaving the
23 Company system?

24 A Not specific to one customer, no.

25 Q Would you agree that that analysis would be a

Answer 9. 1-R
R-00943231
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3/24/95

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FOR

Before the

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

-v-

PENNSYLVANIA-AMERICAN WATER
COMPANY

Docket No. R-00943231

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Rebuttal Testimony of
BRIAN KALCIC

On Behalf of
ARMCO ADVANCED MATERIALS CORPORATION

March 1995
Cook, Eisendorfer & Associates, Inc.

ORIGINAL

1 A. My testimony responds to certain competitive-service rider arguments and
2 recommendations contained in the direct testimony of Office of Trial
3 Staff (OTS) Witness David F. Keim and Office of Consumer Advocate (OCA)
4 Witness Thomas S. Catlin. In particular, I will address their
5 recommendations with respect to the Company's proposed Rider DIS for
6 Demand-Based Industrial Service.
7

8 OTS Witness Keim

9 Q. Would you briefly summarize Mr. Keim's testimony with respect to
10 Rider DIS?

11 A. Yes. In general, Mr. Keim objects to the proposed tariff language
12 contained in Rider DIS. He proposes to change the tariff language to:
13 1) require documentation as to the existence of a customer's competitive
14 supply alternative and 2) establish a minimum rate or price floor that
15 would apply to all negotiated rates.
16

17 Included in the minimum rate proposed by Mr. Keim is a component
18 to cover the base cost of water, which the Company calculates is \$2.37
19 per thousand gallons at this time (see OTS Exhibit No. 3, Schedule 2).
20

21 Q. Do you agree that the Company should require documentation to establish
22 the existence of a customer's competitive supply alternative?

23 A. Yes. The existence of a competitive supply alternative is a necessary
24 condition for establishing a load retention rate. Without sufficient
documentation with respect to the above, a customer should not expect

1 PAWC to negotiate a rate discount. The proposed Rider DIS should be
2 clear on this point.
3

- 4 Q. Do you have any objections to including the base cost of water in a
5 minimum rate that would be used to establish a price floor on Rider DIS?
6 A. Yes. At a level of \$2.37 per thousand gallons, Mr. ^{KCIM'S} ~~ELDER~~ recommended
7 price floor would exceed the current industrial tail block rate of
8 \$2.183. As I discuss below, incorporating this type of price floor will
9 significantly undermine the stated purpose of the proposed tariff which
10 is to provide PAWC with the rate flexibility necessary to prevent
11 uneconomic bypass of its system. For this reason, the Commission should
12 reject the concept of requiring a negotiated competitive service rate to
13 cover the base cost of water.
14

- 15 Q. Mr. Kalcic, please elaborate on the concept of "uneconomic bypass" and
16 explain how competitive service rates are intended to prevent it.
17 A. Bypass of a local utility occurs when a customer leaves the system for a
18 substitute (lower-cost) supply resource. While the bypass decision is,
19 by definition, always efficient from the customer's viewpoint, the
20 bypass action may be either "economic" or "uneconomic" from the
21 utility's point of view.

22 In the case where a customer can acquire an alternative supply
23 resource at a price less than the utility's incremental cost, the
24 realization is that the utility system simply cannot compete for the
25 given customer's load. (To do so would require that the utility sell

1 its service at a price which failed to cover its incremental cost of
2 production.) Under these circumstances, bypass should take place for it
3 represents the economically efficient outcome (i.e., economic bypass).

4 In other bypass situations, the alternative supply cost is less
5 than the utility's tariff rate but still greater than the utility's
6 incremental cost. In these cases, it is both feasible and desirable for
7 the utility to compete for the potential bypass load. So long as the
8 rate offered by the Company to retain the load of a bypass customer is
9 sufficient to recover the production cost of water and provide some
10 contribution to system fixed costs, the utility is better off retaining
11 the customer than losing it. If a utility were to lose this type of
12 bypass load to alternative supplies, such action would be labeled as
13 uneconomic bypass since it represents an inefficient outcome or lost
14 opportunity for the utility and its ratepayers.

15 Obviously, competitive service rates are intended to provide the
16 price flexibility necessary for a utility to compete for customers who
17 have a viable competitive supply alternative, and therefore prevent
18 uneconomic bypass.

19
20 Q. Would Mr. Keim's recommendation that the base cost of water be included
21 in a price floor for Rider DIS inappropriately reduce the price
22 flexibility that PAMC seeks to obtain?

23 A. Yes.

24
25 Q. In what way?

1 A. The base cost of water as defined in the American Water Works
2 Association (AWWA) Water Rates manual (M1) and calculated by PAWC in OTS
3 Exhibit No. 3, Schedule 2, does not equate to an incremental cost
4 calculation. The base cost of water includes all costs associated with
5 the base cost function, many of which are of a fixed-cost nature. (For
6 example, base costs include all capital costs related to plant
7 investment associated with serving customers at a constant annual rate
8 of use.) As a result, a requirement that Rider DIS rates cover the base
9 cost of water would be tantamount to artificially pricing PAWC out of a
10 large part, if not all, of the market for contestable load, to the
11 detriment of the utility and its ratepayers.

12
13 Q. Mr. Kalcic, in the event that a water utility loses a customer to
14 bypass, is the former customer likely to return to the system in the
15 future?

16 A. In my opinion, no. Once a customer has committed the necessary capital
17 to bring an alternate supply on-line, those capital expenditures
18 represent sunk costs and are no longer avoidable. At that point, the
19 local utility is no longer competing against the bypass customer's
20 "full" alternative supply cost, but instead against the customer's
21 incremental or production cost of water, which is apt to be much lower.
22 As a result, I would consider it unlikely that the utility could
23 recapture the bypass load.

24 However, even if the bypass load could be reacquired, the rate
25 discount involved would have to be much steeper than that which might

1 have been necessary to avoid bypass in the first place. Thus, the
2 contribution toward system fixed costs that would be generated from
3 reacquiring bypass load would be permanently reduced--to no one's
4 benefit.

5
6 OCA Witness Catlin

7 Q. What is Mr. Catlin's recommendation with respect to the Company's
8 competitive-service rate proposals?

9 A. Mr. Catlin recommends that the Commission reject Rider DIS, Rider DRS
10 and Rate EGS. While he does not oppose discounted rates in "instances
11 where it is necessary and appropriate", Mr. Catlin recommends that the
12 Company's need for rate flexibility be considered on a case-by-case
13 basis.

14
15 Q. What are Mr. Catlin's main concerns?

16 A. Mr. Catlin is concerned that the terms of a competitive service
17 agreement be in the best interest of all ratepayers. In particular, he
18 indicates that a discount should be "truly necessary to retain or
19 attract the customer", and that the minimum discount should apply so as
20 to maximize revenues.

21
22 Q. Do you agree that the terms of a competitive service agreement should be
23 in the best interest of all ratepayers?

24 A. Certainly.
25

1 Q. Is the case-by-case approach advocated by Mr. Catlin necessary to
2 achieve such a result?

3 A. In my opinion, no. Mr. Catlin's case-by-case approach and the Company's
4 general tariff proposals represent alternative ways of providing the
5 price flexibility necessary to prevent uneconomic bypass of PAWC's
6 system. I believe that a close examination of the underlying incentive
7 structure associated with the general tariff approach shows that the
8 latter is a viable method of reaching appropriate competitive service
9 agreements with existing customers.
10

11 Q. Under the proposed Rider DIS, what incentive is there for PAWC to ensure
12 that a discount is absolutely necessary to retain a customer's load?

13 A. In the case of an existing customer, any prospective discount considered
14 by the Company will erode revenue margins currently accruing to
15 shareholders (at least until the Company's next rate proceeding). Since
16 discounts would be borne by shareholders, PAWC would have a strong
17 incentive to negotiate discounts only with those customers who exhibit
18 viable competitive alternatives.
19

20 Q. Would negotiation under Rider DIS also tend to produce the minimum
21 discount necessary to retain load?

22 A. Yes. The same incentive mechanism would also encourage PAWC to minimize
23 the amount of any discount negotiated with an existing customer under
24 Rider DIS.
25

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

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Friday, March 24, 1995

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C O N T E N T S

WITNESSES:	DIRECT	CROSS	REDIRECT	RECROSS
Robert L. Robowski				
(By Mr. Gadsden)	1134	--	--	--
(By Mr. Scott)	--	1137	--	1152
(By Mr. Dougherty)	--	1142	--	--
(By Mr. Boehm)	--	1146	--	1156
(By Ms. Dusman)	--	1149	--	--
(By Mr. Douglass)	--	1154	--	--
William M. Stout				
(By Mr. Decusatis)	1158	--	--	--
(By Mr. Douglas)	--	1161	--	--
David Keim				
(By Mr. Scott)	1164	--	--	--
(By Mr. Dougherty)	--	1167	--	--
Robert Romancheck				
(By Mr. Dougherty)	1174	--	--	--
(By Mr. Scott)	--	1180	--	--
(By Mr. Boehm)	--	1183	--	--
Brian Kalcic				
(By Mr. Boehm)	1186	--	1202	--
(By Mr. Scott)	--	1188	--	--
(By Ms. Dusman)	--	1200	--	--
Thomas S. Catlin				
(By Ms. Dusman)	1204	--	--	--
(By Mr. Boehm)	--	1208	--	--

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1 factors something less than 100 percent, isn't it?

2 A I don't know exactly what its load factor is, but
3 I would assume it is less than 100 percent, yes.

4 Q Can you tell us, what kind of alternative water
5 sources does ARMCO have to draw upon?

6 A From what I understand -- I am not familiar with
7 the -- I am only generally familiar with the ARMCO plant
8 in the Company territory. I have not been involved in
9 any discussions the Company and ARMCO might have had
10 regarding a low retention rate, but it is my
11 understanding that ARMCO currently has a series of wells
12 in production, and in combination with those wells and
13 recycling its own water, it provides upward of 80
14 percent of its total usage internally. In other words,
15 as big as ARMCO's bills might be on the Pennsylvania-
16 American system, they are just a fraction. In other
17 words, as big as the usage might be, it is just a
18 fraction of the total water used at the plant.

19 Q And do you consider these -- do you know whether
20 ARMCO considers these to be more reliable than PA-
21 American?

22 A I have no direct knowledge other than it is my
23 understanding that these wells have been in production
24 for many years.

25 JUDGE CHRISTIANSON: When you are talking about

1 will pay even a lesser amount of its cost of service?

2 A If the Rider DIS is implemented and the customer
3 receives a discount on that Rider, it will be paying, by
4 definition, less than the tariff rate. so if you were to
5 suggest going back on a cost of service basis, and
6 calculating a rate of return, certainly the return would
7 be lower, but it would be such an exercise the intent of
8 the tariff would otherwise be lost. You are leaving the
9 world of imbedded rate making.

10 Q You are saying it is not relevant, but can we
11 agree that it becomes very relevant to the residential
12 and commercial customers that have to then take on an
13 additional amount of revenue borne.

14 MR. BOEHM: Objection, Your Honor, it assumes a
15 fact not in evidence. That is to say, what is going to
16 happen with the revenue requirement. We have been
17 through that.

18 MR. SCOTT: I will rephrase.

19 JUDGE CHRISTIANSON: Okay.

20 BY MR. SCOTT:

21 Q It becomes relevant, does it not, when one
22 considers that there will be a shortfall, an additional
23 shortfall in revenue, and it must be borne by the
24 residential classes, the commercial classes, and maybe
25 other industrials, or the company, but it has to be

1 borne somewhere. Then it becomes relevant to it whoever
2 it gets borne on, does it not?

3 A The revenues are an issue that must be
4 determined, the reallocation. However, keep in mind
5 that, again, you are talking about the alternative of a
6 customer leaving the system altogether, so you are
7 comparing the discount results to the retail level; the
8 same comparison can be made from the discount level to
9 zero, and looking at the question from contribution was
10 made at the discount rather than the shortfall that
11 results from the discount.

12 Q Let me ask you this. If the customer could
13 receive water at less than the production cost, let's
14 say substantially less.

15 A A customer has his own alternative supply --

16 Q His own source that will deliver water,
17 acceptable level of quality to him, at less than 46
18 cents?

19 A Yes.

20 Q Under that scenario, if he can receive water
21 substantially less than the discount level, and he --
22 I'm sorry, than the production level, and he chooses to
23 leave the system -- are you with me so far?

24 A Yes.

25 Q Then do you see or do you know of, in your expert

1 opinion, any benefits that would accrue to the Company,
2 such as less production costs, no one having to serve
3 that customer, personnel, et cetera? There would be
4 benefits inherent in that, would it not?

5 MR. BOEHM: Your Honor, excuse me, I have to
6 object. These questions about production cost of water,
7 I mean -- I think what is confusing the witness is the
8 company is not going to leave because it is under the
9 production cost of their water; it is going to leave
10 because they can get it for under the PAWC rate. I
11 don't know that anybody is ever going to get their total
12 water rate below the production cost of water. It just
13 keeps cropping up and I don't think it really has
14 anything to do with this witness's opinion at all. He
15 is about what we will do if you could get water below
16 the Company's tariff rate, not the production cost of
17 the water.

18 MR. SCOTT: Below the direct cost of water should
19 be below the tariff rate.

20 MR. BOEHM: Way below. I don't want to tell you
21 how to answer your question.

22 MR. SCOTT: Your Honor, all I am trying to do was
23 set forth a scenario in which the Company left the
24 system.

25 MR. BOEHM: Okay.

1 BY MR. SCOTT:

2 Q I am saying if the Company leaves the system,
3 aren't there other costs that the system would save.
4 Maybe they would lose some money but there would be
5 other costs, would there not, that they would save?

6 A If a customer could acquire a private supply at
7 less than the Company's production cost of water, I
8 would expect the company should say goodbye to -- or the
9 utility say goodbye to that company, because they can't
10 compete, and having the customer leave would be a
11 benefit to the system in that case because instead of
12 acquiring a cost of 46 cents to serve and only getting
13 some amount less because you had to discount, the
14 company would be better off without the customer, and I
15 believe that is the case I characterize as economic
16 bypass.

17 JUDGE CHRISTIANSON: I am on Page 4 of your
18 testimony.

19 THE WITNESS: In that case, it is efficient for
20 the customer to leave the system.

21 JUDGE CHRISTIANSON: It is sort of an equation.
22 At some point you tip over to the other side.

23 THE WITNESS: Exactly, Your Honor.

24 JUDGE CHRISTIANSON: Maybe the system is better
25 off without the customer at some price or another.

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

----- x
 :
Pennsylvania Public Utility Commission : Docket Nos.
versus Pennsylvania-American Water Company : R-943231
 Investigation into a proposed \$16,981,106 : R-943231C0001
 annual rate increase. : through
 : R-943231C0012
 Further Hearing :
 :
 ----- x

Pages 644 through 870 Hearing Room No. 2
 North Office Building
 Harrisburg, Pennsylvania

Friday, March 3, 1995

Met, pursuant to adjournment, at 9:36 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

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C O N T E N T S

	<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
1					
2					
3	Johnny Bill Conner				
	By Mr. Douglass	648	---	667	---
4	By Mr. DeCusatis	---	649	---	---
		---	664	---	---
5					
	Raymond Walser				
6	By Mr. Douglass	669	---	---	---
	By Mr. DeCusatis	---	672	---	---
7					
	Diane L. McConnell				
8	By Mr. Douglass	680	---	---	---
	By Mr. DeCusatis	---	684	---	---
9	By Ms. Dusman	---	694	---	---
	By Mr. Dougherty	---	699	---	---
10	By Mr. Ryan	---	700	---	---
	By Mr. Boehm	---	700	---	---
11					
	David F. Keim				
12	By Mr. Scott	706	---	756	---
	By Mr. DeCusatis	---	709	---	---
13	By Mr. Dougherty	---	717	---	---
	By Mr. Ryan	---	732	---	---
14	By Mr. Boehm	---	734	---	---
		---	751	---	---
15	By Mr. Douglass	---	741	---	---
	By Ms. Dusman	---	748	---	---
16					
	Thomas S. Catlin				
17	By Ms. Dusman	761	---	---	---
	By Mr. DeCusatis	---	763	---	---
18	By Mr. Dougherty	---	766	---	---
	By Mr. Ryan	---	771	---	---
19	By Mr. Boehm	---	773	---	---
	By Mr. Douglass	---	790	---	---
20					
	Robert L. Figley				
21	By Mr. Ryan	795	---	817	---
	By Mr. DeCusatis	---	797	---	---
22	By Mr. Douglass	---	809	---	---
	By Ms. Dusman	---	809	---	---
23	By Mr. Dougherty	---	811	---	---
24					
25					

1 A. I did.

2 Q Would you agree that the utility industry is
3 facing pressure to become more competitive, as a general
4 principle, Mr. Catlin?

5 A. I think you'd have to look within various
6 segments of the utility industry. I think that that would
7 be the case in electric or gas or telephone. I think it's
8 far less the case in water and sewer.

9 Q. Are you suggesting that there is no pressure to
10 become competitive in the water industry, Mr. Catlin?

11 A. No, I'm not suggesting there's no pressure. I'm
12 saying that the pressures are different and less within the
13 water industry.

14 Q. But there is, nonetheless, pressure?

15 A. I would agree there's probably some. I think
16 it's limited.

17 Q. Would you agree that utilities must become more
18 creative relative to rate design, generally speaking, Mr.
19 Catlin?

20 A. Creative is a pretty broad term.

21 Q. Yes, it is.

22 A. So within that very broad context, sure, I will
23 agree.

24 Q. Let me try it this way, Mr. Catlin. Would you
25 agree that utilities should have flexibility in development

1 and design of new rate applications?

2 A In the context so long as all of the parties who
3 may be affected by that have an opportunity to review and
4 comment on those changes within the context of a proceeding
5 such as this.

6 Q. Mr. Catlin, I'm sorry, I didn't understand your
7 answer. I'm looking for a yes or no. Can you help me out?

8 A. If you could repeat the question?

9 Q. Certainly. I would be glad to.

10 Would you agree that utilities should have
11 flexibility in development of rates?

12 A. No, not without some qualification; within the
13 context -- as I indicated previously, not without the
14 opportunities for other parties to review them and analyze
15 them and comment on them in the context of a proceeding such
16 as this.

17 Q. Mr. Catlin, would you agree that Pennsylvania-
18 American is a non-interconnected company?

19 A. I would agree that it has a number of separate
20 operating districts which are not interconnected.

21 Q. Hypothetically, Mr. Catlin, if large customers
22 were to leave the company's system, would you agree that a
23 significant revenue requirement impact would be felt by
24 other customers?

25 A. Not necessarily.

1 Q. Let me go to the riders. I note on page 18, Mr.
2 Catlin, you take up the testimony of the riders. Again, as
3 I read that, I don't understand you to say -- maybe I can
4 put it a little bit better. Let's go to page 17, excuse me,
5 the sentence beginning on line 23, "While I do not believe
6 the company automatically should be denied the flexibility
7 to discount rates in instances where it is necessary and
8 appropriate," then you say, "I believe that it is
9 inappropriate for such discounts to be approved in advance."
10 So I take it there, Mr. Catlin, that you aren't
11 categorically opposing the concept of lower rates for some
12 customers to retain their business?

13 A. That's correct, I'm not categorically opposing
14 that. What I'm saying is that it needs to be looked at
15 based on the individual or case-by-case circumstances
16 involved.

17 Q. And you could conceive of circumstances where
18 such a discount would be appropriate and necessary to retain
19 a customer?

20 A. Yes, I can.

21 Q. One of the reasons that I understand, Mr.
22 Catlin, that you recommend that these determinations be done
23 on a case-by-case basis is that -- and I'm again quoting
24 here from line 10 on page 18 -- "The company only has one
25 customer which meets the consumption and load factor

1 little different view, particularly in light of the
2 difference in the number of customers.

3 Q. Besides the number of customers, Mr. Catlin,
4 could you tell me why a load retention or competitive type
5 of rate that the company proposes to offer here to water
6 customers, how that varies or differs in any other
7 circumstance from a discounted rate to retain gas load, for
8 instance?

9 A. Sure. I think in general it is the case in the
10 gas industry that there is a surplus of capacity; the gas
11 demands today are substantially less than their all-time
12 peaks from most LDCs and on just about all the pipelines
13 with which I'm familiar. So in instances where you have
14 surplus capacity there is a benefit to retaining load and
15 getting a contribution toward the fixed system costs that
16 exist and that are already surplus.

17 I think that's not the case in the water industry,
18 it's not the case as I see it with Pennsylvania-American.
19 In some areas they may have more than enough capacity now,
20 in other areas that's not the case. They may be in a
21 situation where even if they have enough capacity given
22 today's quality standards for water, they don't have enough
23 water at the quality standards that are constantly being
24 changed and increased. There are constantly additional
25 burdens being placed on Pennsylvania-American and other

1 water utilities to meet new quality standards and upgrade
2 the quality of the water supply that they deliver in the
3 sense of having to remove additional contaminants and so
4 forth. To the extent that an industrial customer stays on
5 the system or doesn't stay on the system can have an effect
6 on. in the very near term, the type of costs and the level
7 of costs which the utility will incur to continue to provide
8 service for them, which is not the case, in my experience,
9 in the gas industry. So that's where I see a tremendous
10 difference in the relative situations and in the applicable
11 costs.

12 Q. Getting to some of the points you make, Mr.
13 Catlin, actually, taking them all for the moment, what would
14 be the incentive on the part of the company to offer a
15 discounted rate to one of its customers at a rate it didn't
16 have to to attract load that it didn't want or didn't need?
17 Why would they do something like that?

18 A. I don't have a specific reason. I think that in
19 general any customer would tell the utility that they think
20 they should pay less and would like to pay less. I think
21 that --

22 Q. You think that would be enough to get these guys
23 to give us less?

24 A. But I think that the threat is there, and all
25 I'm saying is that there may be circumstances, but that they

1 have to be evaluated in context. It in fact could be better
2 off for the utility to let a customer go and both the
3 utility and its customers would be better off and the
4 customer who left would be better off. I mean that is
5 conceivable.

6 Q. Can't we trust market forces to work here, Mr.
7 Catlin? I mean presumably if the company is faced between
8 discounting the rate to an existing customer and getting a
9 new customer or increasing load at the full rate, couldn't
10 we count on them to do the economically reasonable thing?

11 A. That's one of the reasons why we attempted to
12 inquire of the company's witnesses exactly how they would
13 consider costs and what costs they would consider, and it is
14 not clear to me that in the company's explanation of how
15 they intend to look at the costs, that they intend to look
16 at the long-range marginal costs. My recollection is that
17 Mr. Robowski indicated that they didn't think it was
18 appropriate to look at the costs if a customer was on one of
19 these tariffs and what would happen if the customer left,
20 once that they're on the tariff -- and I don't want to
21 mischaracterize what he said, but his answer concerned me as
22 to how it would be dealt with. All I'm saying is that I
23 think it needs to be looked at on a case-by-case basis.

24 Q. You don't think we can trust them to do the
25 things that will maximize revenues for the company?

1 A. It's not a matter of trust or not trust, it's a
2 matter of different people having different points of view,
3 and parties have the opportunity to insure that with the
4 different perspective or the different information that they
5 bring and look at in the case, that they have an opportunity
6 to comment and let their position be known and bring forth
7 other factors that may not have been considered by either
8 the utility or the industry in attempting to strike some
9 agreement.

10 MR. BOEHM: Thank you, Mr. Catlin. I have no further
11 questions.

12 JUDGE CHRISTIANSON: Let me try one thought that line
13 brought up. I guess we're supposing that whatever revenue
14 deficiency there might be from reducing the one customer's
15 rate will be made up with other customers. What if the
16 company just chooses to forego that revenue, essentially let
17 the stockholders take the loss, would you be quite as
18 worried?

19 THE WITNESS: If the company were willing to forego
20 the revenues that were lost from the industrial customer
21 receiving some discount compared to the tariff rate, I would
22 say that that would significantly alleviate my concerns, but
23 it would have to be a long-term agreement, it's not just
24 from now till the next rate case six months from now or a
25 year from now.

1 JUDGE CHRISTIANSON: Yes. It occurred to me during
2 this discussion that the company could take a quick fix, an
3 interim rate change, on the one customer subject to review
4 in the next general rate case, but then, of course, the
5 problem is if it's subject to change in a few months, then
6 you have no security for the customer or for anybody else.

7 THE WITNESS: That's correct.

8 JUDGE CHRISTIANSON: That's enough for me. Any
9 further cross?

10 MR. BOEHM: If I might, Your Honor, your question
11 raises one follow-up line.

12 JUDGE CHRISTIANSON: Go ahead.

13 BY MR. BOEHM:

14 Q. His Honor asked you whether or not you would
15 have your fear somewhat alleviated if the company were to
16 take, say, a lower rate of return with respect to that
17 particular customer in order to retain its load, and I take
18 it that you agree -- you said, as I recall, that that would
19 alleviate much of your fear?

20 A. I think what I said was that if the company
21 wanted to offer a discounted rate to the industrial
22 customer, and it was willing to absorb that rate itself and
23 not pass along the loss in revenues between the tariff rate
24 and the discounted rate to the rest of the customers, that
25 would alleviate my concerns.

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

-----X

<u>Pennsylvania Public Utility Commission</u>	:	Docket Nos.
<u>versus Pennsylvania-American Water Company</u>	:	R-943231
Investigation into a proposed \$16,981,195	:	R-943231C0001
annual rate increase.	:	through
	:	R-943231C0012
Further Hearing	:	

-----X

Pages 1122 through 1220 Hearing Room 2
 North Office Building
 North and Commonwealth Streets
 Harrisburg, Pennsylvania

Friday, March 24, 1995

Met, pursuant to notice, at 10:55 a.m.

BEFORE:

ROBERT A. CHRISTIANSON, Administrative Law Judge

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	(By Mr. Scott)	--	1188	--	--
15	(By Ms. Dusman)	--	1200	--	--
16	Thomas S. Catlin				
	(By Ms. Dusman)	1204	--	--	--
17	(By Mr. Boehm)	--	1208	--	--

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1 customer has a demonstrated viable alternative supply.

2 Q And as you stated in your direct testimony, do
3 you continue to maintain that the most appropriate
4 approach to rate discounts in water utility area is a
5 case-by-case approach?

6 A Yes. I continue to believe that rate discounts
7 must be examined on a case-by-case basis, and as I said
8 previously, considered only when there is a demonstrated
9 viable alternative supply. I believe that this approach
10 will not inhibit the negotiation of discounted rates
11 where they are appropriate. In fact, negotiation on a
12 case-by-case basis will allow the Company and the
13 customer the very flexibility that Mr. Romancheck has
14 suggested is necessary.

15 Q Turning to the testimony submitted on rebuttal by
16 ARMCO witness, Brian Kalcic, could you briefly compare
17 your position concerning the potential for bypass with
18 that of ARMCO witness Kalcic?

19 A I think generally that Mr. Kalcic and I are in
20 agreement that (a) there is both economic and uneconomic
21 bypass possibilities. The difference that I think --
22 our primary difference is how to ensure that only the
23 discounts absolutely necessary to retain a customer and
24 avoid uneconomic bypass are allowed. Mr. Kalcic has
25 indicated or argued that a case-by-case review is not

1 necessary because the Company has the financial
2 incentives to negotiate the only discounts which are
3 absolutely necessary because it must absorb the lost
4 margin at least between rate cases. I think when one
5 considers the fact that Pennsylvania-American Water
6 Company files a rate case yearly every year and has
7 indicated that it continues to intend to do so because
8 of its financial needs, that it is not difficult to see
9 that it would not be a problem tying the provision of
10 those discounts to coincide with when they would be
11 recognized in rates, if not to the day, certainly within
12 a matter of a few months.

13 Q So, in other words, you question whether that
14 type of loss presents a sufficient financial incentive
15 to ensure that the discount would be absolutely
16 necessary?

17 A Right; I do not believe it does.

18 Q Mr. Catlin, has any customer participating in
19 this case, or any party to this case, provided evidence
20 that a competitive alternative to PAWC's current service
21 exists?

22 A No; I don't believe that anyone has provided or
23 demonstrated the ability to provide a competitive
24 alternative supply for itself that would qualify for the
25 load retention rate. But as I said in my testimony, if

1 that does, in fact, exist, it can be dealt with on a
2 case-by-case basis.

3 Q Do you have any further response to any rebuttal
4 witnesses in this case at this time?

5 A I do not.

6 MS. DUSMAN: That concludes Mr. Catlin's
7 surrebuttal testimony, Your Honor, and he is available
8 for cross-examination.

9 JUDGE CHRISTIANSON: Obviously, he followed part
10 of his outline because of the settlement.

11 MS. DUSMAN: That is correct, Your Honor.

12 JUDGE CHRISTIANSON: All right. Anything from
13 the Company? Probably not.

14 MR. DECUSATIS: No, Your Honor.

15 JUDGE CHRISTIANSON: Trial Staff?

16 MR. SCOTT: No, Your Honor.

17 MR. DOUGLASS: No, Your Honor.

18 JUDGE CHRISTIANSON: Mr. Dougherty?

19 MR. DOUGHERTY: No, Your Honor.

20 JUDGE CHRISTIANSON: Yes?

21 MR. BOEHM: Yes, Your Honor; I just have a few.

22 CROSS-EXAMINATION

23 BY MR. BOEHM:

24 Q Mr. Catlin, I understand your testimony to be
25 that you believe that a discounted rate should only be

1 given when there is a demonstrated competitive
2 alternative to the Company, and the Company then lowers
3 its rate in an economic situation to retain that load.
4 That is the only case when you think it is appropriate;
5 isn't that right?

6 A That would be a precondition, yes.

7 Q Now, Mr. Catlin, if, in fact, tariffs in this
8 case are not approved, do you think that this discounted
9 rate still might be appropriate in specific cases where
10 it is demonstrated to the Commission that essentially
11 the customer might leave Pennsylvania-American and it
12 might leave in the situation that would cause there to
13 be revenue shortfall, all of the things that we have
14 been talking about? You think it would be appropriate
15 to do on a case-by-case basis, is that right?

16 A Yes.

17 Q Now, if, in fact, the Company negotiated on a
18 case-by-case basis versus a rider, how could you ensure
19 that the Company would, in fact, require a competitive
20 alternative?

21 A I think that that would simply be one of the
22 things that the Commission would want to see, and that
23 the other parties would want to see in any proceeding
24 that involved a review of a proposal to offer a discount
25 rate.

1 Q But isn't it true, Mr. Catlin, that the real
2 opportunity to require that as a condition is in
3 approving this tariff; that, in fact, if it is left to
4 competitive negotiations, you don't have the opportunity
5 to put forth any of these criteria?

6 A I don't agree with that, no.

7 Q How would you do that then in the negotiated
8 contract in a situation where Pennsylvania-American
9 Water Company, say, were negotiating with ARMCO? How
10 would you be able to insist that there be a competitive
11 alternative? How would you get involved in that
12 process?

13 A I would assume that the Company is going to seek
14 approval for that agreement from the Commission.

15 JUDGE CHRISTIANSON: Consumer Advocate would know
16 about it and file against it.

17 THE WITNESS: That is correct that the Consumer
18 Advocate, the Office of Trial Staff, the Small Business
19 Advocate would be aware of the filing.

20 BY MR. BOEHM:

21 Q And they would be watching these things as they
22 come up, and they would, in each case, they would show
23 us.

24 A Moreover, if the utility offered a discount where
25 it couldn't be demonstrated it was necessary to retain

1 the customer; that is, the customer didn't have a viable
2 alternative supply, and couldn't leave the system, I
3 would think that the Company would be at risk for
4 recovery of that lost margin in the rate case. I think
5 that my experience has been that the Commission has
6 required in the gas and electric, and for that matter,
7 probably telephone, a demonstration that there was a
8 viable alternative before they would allow the discount
9 to be passed through to the remaining customers.

10 Q Let's go back to this point then. Unless these
11 conditions are put forth in tariff in this case, isn't
12 it true, Mr. Catlin, that the sorts of things that the
13 Commission would consider in approving or disapproving
14 any particular contract between Pennsylvania-American
15 Water Company and one of its customers could vary from
16 case to case?

17 A I think that they could vary from case to case,
18 but certainly there has been a fairly extensive record
19 developed in this case of the types of things that
20 various parties agree should be considered, and whether
21 the Commission approves the tariff or not. They would
22 certainly have the opportunity to state in their order
23 the types of things that they would want to see or
24 expect to see in order to allow such a discount.
25 Moreover, I would believe that there is a great deal

1 that has been left open, and, in fact, that was one of
2 the concerns about the tariff that the Company has
3 proposed. A few criteria are specified, but there are
4 many other issues that have to be dealt with, and
5 presumably the Commission, even if they approve the
6 tariff, could indicate that these additional things need
7 to be dealt with, so that the Commission can address
8 those things in an order, whether it approves the tariff
9 or not.

10 Q So you see a Commission -- somehow, some kind of
11 Commission Rules coming out of one of the early cases,
12 right, that from now on, here is what we are going to
13 consider?

14 A I don't think it has to be a rule. I think that
15 it can simply comment as it does frequently in its
16 orders on the evidence that is presented and why it made
17 the decision it makes, and that will provide some
18 guidance to the parties in future cases. I think that
19 the Commission already has established some guidelines,
20 such as the need for demonstrated alternative supply in
21 its decisions in gas and electricity. I would assume
22 that the Commission would not change its view that for a
23 discount to be recoverable, it has to be demonstrated
24 that it was necessary to offer that discount to retain
25 the customer. There are already guidelines that are

1 established that I would assume would help guide the
2 Company and a customer in their negotiations.

3 Q Mr. Catlin, I take it though, however, that while
4 you may think that generally there might be some other
5 criteria that you might recommend to the Commission
6 before allowing one of these contracts, you don't
7 necessarily disagree with any of the ones that the
8 Company has stated as a condition to its Rider, is that
9 correct?

10 A I don't have specific disagreement with them, no.

11 Q Let me go on to one other thing. Mr. Catlin, you
12 say, and I understand that -- and I am reading from No.
13 5 of your surrebuttal statement, "Mr. Kalcic and I also
14 agree that a customer must have a demonstrated
15 competitive supply alternative to qualify for a load
16 retention rate; however, no evidence of the existence of
17 such alternatives has been provided." Do I take it from
18 that last sentence that you expect that somehow these
19 conditions are going to be, or ought to be a part of the
20 evidence of this case?

21 A No, I am simply stating the fact that there has
22 been some argument, I think, on ARMCO's part and
23 PAWLUG's part, some suggestion that viable alternatives
24 exist. All I am saying at this point is that there
25 really hasn't been a demonstration of it, and that to

1 the extent that there are, they can be dealt with on a
2 case-by-case basis. It is not necessary to deal with
3 them, in this case, and to approve a rider that might be
4 generally applicable given the information that is
5 available to the Commission now.

6 Q I thought I just heard you say, Mr. Catlin, that
7 if there are such alternatives, they ought to be done on
8 a case-by-case basis, and not in this case. Isn't that
9 what you said?

10 A I agree.

11 Q And yet, I understand you are criticizing the
12 fact that there isn't any evidence of these alternatives
13 in this case? You are saying one of the things you note
14 is that there is no evidence of such alternatives in
15 this case. Now, I thought we agreed that it is not
16 appropriate in this case.

17 A We do, but that is only if you agree with my
18 position that it should be done on a case-by-case basis.
19 What I am saying is one of the critical elements for
20 approving the rider that would be generally applicable
21 hasn't been presented in this case, and that is another
22 reason why it should continue to be examined on a case-
23 by-case basis.

24 Q Correct me if I am -- maybe you have a different
25 impression of this, Mr. Catlin -- don't you envision the